The Ontario Securities Commission

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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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2075 Kennedy Road
Toronto, Ontario
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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

SEPTEMBER 26, 2008

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
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Patrick J. LeSage	—	PJL
Carol S. Perry	—	CSP
Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

September 30, 2008 2:30 p.m.	**Al-Tar Energy Corp., Alberta Energy Corp., Drago Gold Corp., David C. Campbell, Abel Da Silva, Eric F. O'Brien and Julian M. Sylvester** s. 127 & 127.1 M. Boswell in attendance for Staff Panel: ST/DLK
October 1, 2008 11:00 a.m.	**Global Partners Capital, Asia Pacific Energy Inc., 1666475 Ontario Inc. operating as "Asian Pacific Energy", Alex Pidgeon, Kit Ching Pan also known as Christine Pan, Hau Wai Cheung, also known as Peter Cheung, Tony Cheung, Mike Davidson, or Peter McDonald, Gurdip Singh Gahunia also known as Michael Gahunia or Shawn Miller, Basis Marcellinius Toussaint also known as Peter Beckford, and Rafique Jiwani also known as Ralph Jay** s.127 M. Boswell in attendance for Staff Panel: DLK/MCH
October 7, 2008 10:00 a.m.	**Gold-Quest International, Health and Harmoney, Iain Buchanan and Lisa Buchanan** s.127 H. Craig in attendance for Staff Panel: ST/MCH
October 8, 2008 10:00 a.m.	**MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric** s. 127 & 127(1) D. Ferris in attendance for Staff Panel: WSW/ST

October 14, 2008 10:00 a.m.	**New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., L. Jeffrey Pogachar, Paola Lombardi and Alan S. Price** s. 127 S. Kushneryk in attendance for Staff Panel: WSW/ST
October 17, 2008 9:00 a.m.	**Irwin Boock, Svetlana Kouznetsova, Victoria Gerber, Compushare Transfer Corporation, Federated Purchaser, Inc., TCC Industries, Inc., First National Entertainment Corporation, WGI Holdings, Inc. and Enerbrite Technologies Group** s. 127(1) & (5) P. Foy in attendance for Staff Panel: JEAT/ST
October 17, 2008 9:00 a.m.	**Stanton De Freitas** s. 127 and 127.1 P. Foy in attendance for Staff Panel: JEAT/ST
October 17, 2008 9:00 a.m.	**David Watson, Nathan Rogers, Amy Giles, John Sparrow, Leasesmart, Inc., Advanced Growing Systems, Inc., The Bighub.com, Inc., Pharm Control Ltd., Universal Seismic Associates Inc., Pocketop Corporation, Asia Telecom Ltd., International Energy Ltd., Cambridge Resources Corporation, Nutrione Corporation and Select American Transfer Co.** s. 127 and 127.1 P. Foy in attendance for Staff Panel: JEAT/ST
October 20, 2008 10:00 a.m.	**Shane Suman and Monie Rahman** s. 127 & 127(1) C. Price in attendance for Staff Panel: JEAT/DLK/MCH
October 21, 2008 2:30 p.m.	**Xi Biofuels Inc., Biomaxx Systems Inc., Ronald David Crowe and Vernon P. Smith** and **Xiiva Holdings Inc. carrying on Business as Xiiva Holdings Inc., Xi Energy Company, Xi Energy and Xi Biofuels** s. 127 M. Vaillancourt in attendance for Staff Panel: PJL/WSW/DLK
October 27, 2008 10:00 a.m.	**Norshield Asset Management (Canada) Ltd., Olympus United Group Inc., John Xanthoudakis, Dale Smith and Peter Kefalas** s.127 P. Foy in attendance for Staff Panel: TBA
October 27, 2008 10:00 a.m.	**Adrian Samuel Leemhuis, Future Growth Group Inc., Future Growth Fund Limited, Future Growth Global Fund limited, Future Growth Market Neutral Fund Limited, Future Growth World Fund and ASL Direct Inc.** s. 127(5) K. Daniels in attendance for Staff Panel: TBA
November 3, 2008 10:00 a.m.	**Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited** s. 127 M. Britton/M. Boswell in attendance for Staff Panel: TBA

November 11, 2008 2:30 p.m.	**LandBankers International MX, S.A. De C.V.; Sierra Madre Holdings MX, S.A. De C.V.; L&B LandBanking Trust S.A. De C.V.; Brian J. Wolf Zacarias; Roger Fernando Ayuso Loyo, Alan Hemingway, Kelly Friesen, Sonja A. McAdam, Ed Moore, Kim Moore, Jason Rogers and Dave Urrutia** s. 127 M. Britton in attendance for Staff Panel: LER/ST
November 19, 2008 10:00 a.m.	**Sunwide Finance Inc., Sun Wide Group, Sun Wide Group Financial Insurers & Underwriters, Bryan Bowles, Robert Drury, Steven Johnson, Frank R. Kaplan, Rafael Pangilinan, Lorenzo Marcos D. Romero and George Sutton** s. 127 C. Price in attendance for Staff Panel: JEAT/CSP
November 25, 2008 2:30 p.m.	**Shallow Oil & Gas Inc., Eric O'Brien, Abel Da Silva, Gurdip Singh Gahunia aka Michael Gahunia and Abraham Herbert Grossman aka Allen Grossman** s. 127(7) and 127(8) M. Boswell in attendance for Staff Panel: DLK/CSP
November 28, 2008 10:00 a.m.	**Goldpoint Resources Corporation, Lino Novielli, Brian Moloney, Evanna Tomeli, Robert Black, Richard Wylie and Jack Anderson** s. 127(1) and 127(5) M. Boswell in attendance for Staff Panel: TBA
December 1, 2008 TBA	**Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton** s. 127 H. Craig in attendance for Staff Panel: TBA
December 3, 2008 10:00 a.m.	**Global Energy Group, Ltd. and New Gold Limited Partnerships** s. 127 H. Craig in attendance for Staff Panel: TBA
December 8, 2008 10:00 a.m.	**John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir** S. 127 and 127.1 I. Smith in attendance for Staff Panel: ST/CSP/DLK
January 5, 2009 TBA	**FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun** s. 127 M. Mackewn in attendance for Staff Panel: TBA
January 12, 2009 10:00 a.m.	**Franklin Danny White, Naveed Ahmad Qureshi, WNBC The World Network Business Club Ltd., MMCL Mind Management Consulting, Capital Reserve Financial Group, and Capital Investments of America** s. 127 C. Price in attendance for Staff Panel: TBA
January 26, 2009 10:00 a.m.	**Darren Delage** s. 127 M. Adams in attendance for Staff Panel: TBA

February 2, 2009 10:00 a.m.	**Biovail Corporation, Eugene N. Melnyk, Brian H. Crombie, John R. Miszuk and Kenneth G. Howling** s. 127(1) and 127.1 J. Superina/A. Clark in attendance for Staff Panel: TBA
March 23, 2009 10:00 a.m.	**Imagin Diagnostic Centres Inc., Patrick J. Rooney, Cynthia Jordan, Allan McCaffrey, Michael Shumacher, Christopher Smith, Melvyn Harris and Michael Zelyony** s. 127 and 127.1 H. Craig in attendance for Staff Panel: TBA
April 6, 2009 10:00 a.m.	**Gregory Galanis** s. 127 P. Foy in attendance for Staff Panel: TBA
April 20, 2009 10:00 a.m.	**Al-Tar Energy Corp., Alberta Energy Corp., Drago Gold Corp., David C. Campbell, Abel Da Silva, Eric F. O'Brien and Julian M. Sylvester** s. 127 S. Horgan in attendance for Staff Panel: TBA
May 4, 2009 10:00 a.m.	**Borealis International Inc., Synergy Group (2000) Inc., Integrated Business Concepts Inc., Canavista Corporate Services Inc., Canavista Financial Center Inc., Shane Smith, Andrew Lloyd, Paul Lloyd, Vince Villanti, Larry Haliday, Jean Breau, Joy Statham, David Prentice, Len Zielke, John Stephan, Ray Murphy, Alexander Poole, Derek Grigor and Earl Switenky** s. 127 and 127.1 Y. Chisholm in attendance for Staff Panel: TBA
September 21, 2009 10:00 a.m.	**Swift Trade Inc. and Peter Beck** s. 127 S. Horgan in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell** s. 127 J. Waechter in attendance for Staff Panel: TBA
TBA	**Frank Dunn, Douglas Beatty, Michael Gollogly** s.127 K. Daniels in attendance for Staff Panel: TBA
TBA	**Peter Sabourin, W. Jeffrey Haver, Greg Irwin, Patrick Keaveney, Shane Smith, Andrew Lloyd, Sandra Delahaye, Sabourin and Sun Inc., Sabourin and Sun (BVI) Inc., Sabourin and Sun Group of Companies Inc., Camdeton Trading Ltd. and Camdeton Trading S.A.** s. 127 and 127.1 Y. Chisholm in attendance for Staff Panel: JEAT/DLK/CSP
TBA	**Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)** s.127 and 127.1 D. Ferris in attendance for Staff Panel: TBA

TBA **Matthew Scott Sinclair**

s.127

P. Foy in attendance for Staff

Panel: TBA

TBA **Robert Kasner**

s. 127

H. Craig in attendance for Staff

Panel: TBA

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

s. 127

D. Ferris in attendance for Staff

Panel: WSW/ST/MCH

TBA **Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin**

s. 127

H. Craig in attendance for Staff

Panel: JEAT/MC/ST

TBA **Roger D. Rowan, Watt Carmichael Inc., Harry J. Carmichael and G. Michael McKenney**

s. 127

J. Superina in attendance for Staff

Panel: PJL/ST/DLK

TBA **Sulja Bros. Building Supplies, Ltd. (Nevada), Sulja Bros. Building Supplies Ltd., Kore International Management Inc., Petar Vucicevich and Andrew DeVries**

s. 127 & 127.1

M. Britton in attendance for Staff

Panel: JEAT/MCH

TBA **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: JEAT/ST

TBA **Rodney International, Choeun Chhean (also known as Paulette C. Chhean) and Michael A. Gittens (also known as Alexander M. Gittens)**

s. 127

M. Britton in attendance for Staff

Panel: WSW/ST

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: LER/MCH

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

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

Maitland Capital Ltd., Allen Grossman, Hanouch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Diana Cassidy, Ron Catone, Steven Lanys, Roger McKenzie, Tom Mezinski, William Rouse and Jason Snow

Euston Capital Corporation and George Schwartz

ADJOURNED SINE DIE

Al-Tar Energy Corp., Alberta Energy Corp., Eric O'Brien, Bill Daniels, Bill Jakes, John Andrews, Julian Sylvester, Michael N. Whale, James S. Lushington, Ian W. Small, Tim Burton and Jim Hennesy

Global Partners Capital, WS Net Solution, Inc., Hau Wai Cheung, Christine Pan, Gurdip Singh Gahunia

Land Banc of Canada Inc., LBC Midland I Corporation, Fresno Securities Inc., Richard Jason Dolan, Marco Lorenti and Stephen Zeff Freedman

1.1.2 The Investment Funds Practitioner

September, 2008

THE INVESTMENT FUNDS PRACTITIONER

From the Investment Funds Branch, Ontario Securities Commission

What is the Investment Funds Practitioner

The Practitioner is an overview of recent issues that have arisen in connection with applications for discretionary relief, prospectuses, and continuous disclosure documents that investment funds file with the OSC. We, the staff of the Investment Funds Branch, have written the Practitioner primarily for investment fund managers and their staff or advisors who regularly prepare public disclosure documents and applications for exemptive relief on behalf of investment funds.

The purpose of the Practitioner is to make you more broadly aware of some of the issues we have raised in connection with our reviews of documents filed with us and how we have resolved them. We hope that fund managers and their advisors will find this information useful and that the Practitioner can serve as a useful resource when preparing applications and disclosure documents.

Please note, however, that the information contained in the Practitioner is based upon particular factual circumstances and that outcomes may change as facts change or as regulatory approaches evolve. We will continue to assess each particular case on its own merits. Please also note that staff of the Investment Funds Branch prepared the Practitioner and the views it expresses do not necessarily reflect those of the Commission or the Canadian Securities Administrators.

Request for Feedback

This is the third edition of the Practitioner. The two previous editions are available on our website www.osc.gov.on.ca. We welcome your feedback and any suggestions for topics that you would like us to cover in future editions. Please forward your comments by email to investmentfunds@osc.gov.on.ca, or feel free to contact us.

Doug Welsh – Senior Legal Counsel, Investment Funds
(416) 593-8068

Susan Thomas – Legal Counsel, Investment Funds
(416) 593-8076

Who we are

Currently, our group is:

Shaill Bahuguna	Administrative Support Clerk
Stacey Barker	Senior Accountant
Eric Buenaflor	Financial Examiner
Oriole Burton	Review Officer & Administrative Assistant
Leslie Byberg	Director
Raymond Chan	Senior Accountant
Joan DeLeon	Review Officer
Lisa Duncan	Administrative Assistant
Daniela Follegot	Legal Counsel
Patricia Fuller	Administrative Assistant
Robert Gates	Legal Counsel
Rhonda Goldberg	Manager
Pei-Ching Huang	Legal Counsel
Meenu Joshi	Accountant
Ian Kearsey	Legal Counsel
Irene Lee	Legal Counsel
Tracey Leonardo	Administrative Assistant
Chantal Mainville	Senior Legal Counsel
Darren McKall	Assistant Manager
Parbatee Nandacumar	Administrative Assistant
Viraf Nania	Senior Accountant
Vera Nunes	Assistant Manager

Sarah Oseni	Senior Legal Counsel
Stephen Paglia	Legal Counsel
Violet Persaud	Review Officer
Melissa Schofield	Senior Legal Counsel
Susan Thomas	Legal Counsel
Doug Welsh	Senior Legal Counsel
Sovener Yu	Accountant

Applications for Relief

Process

We remind filers that NP 12-201 – *Mutual Reliance Review System for Exemptive Relief Applications* has been replaced by National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions*. Filers and their advisors should review NP 11-203 prior to filing any applications.

We would also like to remind filers that:

- It is their responsibility to provide us with a draft decision that complies with the form required by NP 11-203 at the time they file the application. Failure to do so can cause delays in processing the application.
- Commission duty panels generally meet on Tuesdays and Fridays to consider applications for exemptive relief. Generally, we must submit final materials for consideration by a duty panel the day before the duty panel convenes. We recommend that filers factor in the Commission's duty panel schedule when planning any transactions that require relief from the Commission.
- Applications for novel relief generally take more time to process. They often require, amongst other steps, significant discussions with our colleagues in the CSA. It assists our review of novel applications if the application also explains the business purpose of a particular novel structure, feature, or product.
- It is a good idea to indicate in bold on the first page of the application the date by which the filer requires the relief if it is seeking expedited treatment and the reasons why the filer is requesting expedited treatment. Filers may wish to review s. 6.2(5) of NP 11-203 regarding requests for expedited treatment.

NI 81-107 and the Conflicts Provisions

As reported in the last edition, the Commission and the Director have granted a number of decisions reissuing relief that they previously granted, but that terminated with the coming into force of NI 81-107 – *Independent Review Committee for Investment Funds*.

We continue to also see a number of novel applications for relief from the various conflicts provisions under the Act, the Regulation, and NI 81-102 – *Mutual Funds* based on IRC approval. We remind filers that the CSA deliberately chose to maintain the various conflicts provisions in the legislation and codify only limited exemptions from them in NI 81-107 rather than replace them wholesale with a fund governance agency. We encourage filers to carefully consider the basis for any novel relief from the conflicts provisions before filing an application.

The following are some requests for relief from the conflicts provisions that have been considered since the last edition.

Relief to Permit Purchases of Related Party Debt on the Secondary Market

Several filers applied for and received relief from s. 111 and s. 118(2)(a) of the Act and s. 4.1(2) of NI 81-102 to permit their mutual funds to purchase debt securities of related entities on the secondary market.[1] These filers were unable to rely upon the relief from s.118(2)(a) codified in section 6.2(2) of NI 81-107 as that exemption requires the trade to occur on an exchange. Most debt securities do not trade on an exchange. The relief was granted based on IRC approval and conditions designed to impose pricing discipline and transparency in a manner similar to trades that occur on an exchange.

Some of the filers were also dealer managed funds. Consequently, they also applied for and received relief from s. 4.1(2) of NI 81-102 for both purchases of related party debt in the secondary market and purchases of equity on an exchange.

[1] See *Altamira Investment Services Inc. et al* dated May 15, 2008 for the NI 81-102 relief and May 22, 2008 for the s. 111 and 118 relief.

Inter-fund Trades at Last Sale Price

One filer applied for and received relief to conduct inter-fund trades using the last sale price, as defined under UMIR, as opposed to current market price, as defined under NI 81-107.[2] We suggest that any future requests for this relief be drafted as an exemption from the relevant prohibitions in the Act as opposed to an exemption from the conditions of the exemption codified in NI 81-107.

Relief to Permit Inter-fund Trades with Pooled Funds and Managed Accounts

Some filers applied for and received relief to facilitate inter-fund trading with and between pooled funds and managed accounts.[3] The inter-fund trading exemption codified under s. 6.1(4) only applies to inter-fund trades between investment funds that are subject to NI 81-107. Pooled funds that are not reporting issuers and managed accounts are not subject to NI 81-107. The relief was granted subject to similar conditions as those in s. 6.1(2) of NI 81-107.

Consistent with the exemptions codified under NI 81-107 and NI 81-102, the filers requested relief from section 118(2)(b) of the Act, section 115(6) of the Regulation, and section 4.2 of NI 81-102.

The conditions of relief include that the pooled funds must appoint an IRC and that the managed accounts must obtain the consent of the account holder.

The filers requested relief from section 4.2 of NI 81-102 for inter-fund trades in debt securities because the filers could not rely upon the exemption codified in s. 4.3(2) of NI 81-102. As with the exemption from s. 118(2)(b) and s. 115(6) codified under s. 6.1(4) of NI 81-107, the exemption under s. 4.3(2) of NI 81-102 requires the funds on both side of the trade to be subject to NI 81-107. The exemption codified under s. 4.3(1) of NI 81-102, however, remains available for inter-fund trades with pooled funds and managed accounts.

We recognize that an inter-fund trade in a non-debt security that is not exchange traded could comply with the conditions in s. 6.1(2) of NI 81-107, but not technically be able to comply with the conditions in s. 4.3(1) of NI 81-102. We will attempt to rectify this discrepancy through consequential amendments at the next available opportunity.

Relief to Permit Non-Redeemable Investment Fund to Purchase Mortgages from a Related Party

This filer applied for and received relief from s. 118(2)(b) of the Act and s. 115(6) of the Regulation.[4] The filer requested the relief to facilitate a mortgage fund's purchase of mortgages from a related party that was pooling mortgages for the purpose of transferring them to the filer. Historically, the Commission has only granted such relief to conventional mutual funds that will be complying with National Policy 29 – *Mutual Funds Investing in Mortgages*. The relief was granted based on IRC approval and the filer satisfying staff regarding the manner in which it would value the mortgages.

Inter-fund Trades and Reorganizations

One filer applied for relief from section 118(2)(b) of the Act and section 115(6) of the Regulation in connection with a merger that was subject to NI 81-102 and IRC review. The filer applied out of concern that the trades in portfolio securities necessary to complete the merger may be inter-fund trades and the filer was not able to comply with all of the conditions of the exemption codified under s. 6.1(2) of NI 81-107. The filer also applied for the Director's approval under section 5.5 of NI 81-102.

Trades in portfolio securities effected in connection with mergers can be inter-fund trades, but we remind filers of the exemption from the mutual fund conflict of interest investment restrictions codified under section 5.9 of NI 81-102. This exemption remains available in connection with inter-fund trades effected as part of a merger or reorganization transaction that either complies with section 5.6 of NI 81-102 or that has been approved by the Director. The filer subsequently withdrew the request for relief from section 118(2)(b) and section 115(6) after realizing it could avail itself of this exemption.

Prospectuses

Process

Increasingly, filers have been adding more issuers (from 2 to 100 or more), different types of units and shares, and jurisdictions to their combined preliminary and pro forma prospectuses. This may cause delays in the processing of preliminary receipts.

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2 See *RBC Asset Management Inc.* dated January 18, 2008.

3 See *UBS Global Asset Management (Canada) Co.* dated April 1, 2008 and *CIBC Asset Management Inc.* dated July 8, 2008 for relief granted under the Act and *CIBC Asset Management Inc.* dated July 22, 2008 for relief granted under NI 81-102.

4 See *C.A.B. Realty Finance L.P.* dated February 19, 2008.

To make the filing process as smooth, efficient and accurate as possible, we suggest that filers detail in their covering letters the following:

- the issuers and their securities that need to be issued a preliminary receipt;
- the new jurisdiction(s) the filing is being added to; and
- the current names of all funds to be on the document with future or former names noted as well.

Long-term Warrant Offerings – Non Redeemable Investment Funds

A couple of filers recently filed short-form prospectuses for long-term warrant offerings. These offerings were structured as rights offerings. The warrants were not sweetener warrants offered as part of a unit offering. The warrants were issued on a stand-alone basis to existing unitholders at no charge. In each case, the warrants were exercisable for a price into underlying units for up to two years. A distinguishing feature of these offerings is the term of the warrants relative to a conventional rights offering that normally has a much more limited exercise period and closes in a relatively short period of time.

We remind filers of the requirement contained in s. 4.2(a) of NI 45-101 – *Rights Offerings*. This provision requires that the prospectus qualify the underlying securities that the warrants can be exercised into in addition to the warrants themselves. One of the policy reasons for this requirement is to ensure that investors receive the appropriate statutory rights in connection with the securities underlying the warrants.

Practically, this requirement will generally result in the filer having to keep their prospectus live for the duration of the exercise period of the long-term warrants and provide a second delivery of the prospectus at the time the long-term warrant is exercised. Filers contemplating long-term warrant offerings may wish to review the disclosure provided in the short-form prospectus filed by First Capital Realty Inc. dated March 8, 2002 under Sedar Project No. 424349. Filers may also wish to review the discussion of long-term warrants contained in paragraph 5 of OSC Staff Notice 51-706 – *Corporate Finance Report* for the year 2004.

National Instrument 81-105 – Payment of Trailing Commissions

We have periodically seen filers disclose that dealers will be paid a trailing commission based on a percentage of the performance fee received by the portfolio manager. We have consistently raised comments expressing concern whether a trailing commission calculated in this manner complies with section 3.2(1)(d)(ii) of National Instrument 81-105 – *Sales Practices*. Filers have generally responded by removing the feature from their prospectus filings.

Form 41-101F2 – Forms Compliance Reviews

National Instrument 41-101 – *General Prospectus Requirements* came into force March 17, 2008. This rule includes a new form for investment funds that must file a long-form prospectus. We have been raising comments on long-form prospectuses where it appears that the disclosure does not comply with the new form requirements. We encourage filers to review the new form requirements before filing their preliminary long-form prospectuses.

Part 14 of NI 41-101 – Custodian Requirements

We have raised comments in several instances regarding Part 14 of NI 41-101. Part 14 requires investment funds that use Form 41-101F2 to have a qualified custodian. Prior to the coming into force of NI 41-101, investment fund issuers that were not subject to NI 81-102 were not required to have a custodian. We remind all long form investment fund issuers that Part 14 of NI 41-101 imposes a new custodian requirement.

Continuous Disclosure

Publication of Recent Amendments

As a follow-up to previous editions that reported on the exemption the Director granted under NI 81-106 in connection with section 3855 of the CICA Handbook, the amendments to National Instrument 81-106 - *Investment Fund Continuous Disclosure* were published in the OSC Bulletin on June 20, 2008. These amendments came into force on September 8, 2008.

Publication of CSA Staff Notice 52-320

The CSA issued CSA Staff Notice 52-320 - *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards* on May 9, 2008, which was published in the May 9, 2008 OSC Bulletin. This was in response to the Canadian Accounting Standards Board confirmation that January 1, 2011 will be the date on which International

Financial Reporting Standards (IFRS) will replace current Canadian standards and interpretations as Canadian Generally Accepted Accounting Principles (Canadian GAAP).

The Notice discusses the disclosure of relevant information about the changeover to IFRS, including, but not limited to, the key elements and timing of the changeover plan in the annual and interim filings three, two, and one year(s) before the changeover. Filers may wish to review the Notice when preparing their MRFP or notes to their financial statements for as early as the interim period to June 30, 2008.

Public Inquiries

NI 81-107 – Inter-fund Trades – Market Integrity Requirements for Non-Exchange Traded Securities

Sub-paragraph 6.1(1)(b)(iii) of NI 81-107 defines market integrity requirements in that context as: "…the purchase or sale is through a dealer, ***if*** the purchase or sale is required to be reported by a registered dealer under applicable securities legislation". We have received several inquiries regarding the applicability of the market integrity requirement to inter-fund trades in debt or other securities that do not trade on an exchange. The inquiries have generally focused on what applicable securities legislation is sub-paragraph 6.1(1)(b)(iii) referring to and how should that provision be read together with the exemptions codified in sub-sections 6.1(3) and 6.1 (5).

Sub-paragraph 6.1(1)(b)(iii) is intended to refer to the dealer reporting obligations for non-exchange traded securities found in s. 154 of the Regulation in Ontario and Part 8 of National Instrument 21-101 – *Marketplace Operation*.

The overall intent of the requirement in this context is for these inter-fund trades to be reported in the same manner that a dealer would be required to report them if a dealer were conducting the trade. If a dealer would not be required under applicable securities legislation to report the trade, there is no reporting requirement in connection with the inter-fund trade.

1.1.3 Notice of Commission Approval – Housekeeping Amendments to MFDA Policy No. 4 – Internal Control Policy Statements and MFDA Financial Questionnaire and Report – Form 1

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

HOUSEKEEPING AMENDMENTS TO MFDA POLICY NO. 4 INTERNAL CONTROL POLICY STATEMENTS AND MFDA FINANCIAL QUESTIONNAIRE AND REPORT – FORM 1

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved amendments to MFDA Policy No. 4 *Internal Control Policy Statements* and MFDA Financial Questionnaire and Report – Form 1. In addition, the Alberta Securities Commission, Manitoba Securities Commission, New Brunswick Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendments.

The amendments make updates to reflect the legal name of the MFDA Investor Protection Corporation, clarify existing requirements, and update incorrect cross-references.

The amendments are housekeeping in nature. A description and a copy of the amendments are contained in Chapter 13 of this OSC Bulletin.

1.1.4 Notice of Commission Approval – Housekeeping Amendments to MFDA Rule 3 – Financial and Operations Requirements

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

HOUSEKEEPING AMENDMENTS TO MFDA RULE 3 – FINANCIAL AND OPERATIONS REQUIREMENTS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved amendments to MFDA Rule 3 – Financial and Operations Requirements. In addition, the Alberta Securities Commission, Manitoba Securities Commission, New Brunswick Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendments.

The amendments clarify, update and address minor inconsistencies between terms used in the rule and terms used in other contexts, such as the Canadian Institute of Charted Accountants Handbook. The amendments also remove a provision no longer required to reflect the fact that the MFDA Investor Protection Corporation offers coverage only to Members of the MFDA.

The amendments are housekeeping in nature. A description and a copy of the amendments are contained in Chapter 13 of this OSC Bulletin.

1.1.5 OSC Staff Notice 51-706 - Corporate Finance Branch Report 2008 - Notice of Correction

OSC STAFF NOTICE 51-706 -
CORPORATE FINANCE BRANCH REPORT 2008

NOTICE OF CORRECTION

On page 21 of the *Corporate Finance Branch Report 2008*, which was published with separate pagination following page 8692 in (2008), 31 OSCB 8692 on September 12, 2008, the text of the fourth bulleted item on the page read:

- A revised National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* was published in final form on August 15, 2008. The instrument is expected to be implemented on December 31, 2008.

The date was in error; the item should read:

- A revised National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* was published in final form on August 15, 2008. The instrument is expected to be implemented on December 15, 2008.

1.1.6 Notice of Ministerial Approval - Amendment to OSC Rule 31-502 Proficiency Requirements for Registrants

NOTICE OF MINISTERIAL APPROVAL
OF AMENDMENT TO
ONTARIO SECURITIES COMMISSION RULE 31-502
PROFICIENCY REQUIREMENTS FOR REGISTRANTS

On September 19, 2008, the Minister of Finance approved an amendment to Rule 31-502 *Proficiency Requirements for Registrants* that revises the post-registration proficiency requirements for salespersons of brokers, investment dealers or securities dealers.

The amendment was previously published in the Bulletin on August 1, 2008 at (2008) 31 OSCB 7631 and was published for comment on March 9, 2007 at (2007) 30 OSCB 2103.

The amendment will come into force on October 24, 2008 and a notice will be published in the Ontario Gazette prior to that date.

The amendment is published in Chapter 5 of this issue of the Bulletin and is available at www.osc.gov.on.ca.

1.1.7 Notice of Commission Approval – Housekeeping Amendments to MFDA Policy No. 1 – New Registrant Training and Supervision

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

HOUSEKEEPING AMENDMENTS TO MFDA POLICY NO. 1 – NEW REGISTRANT TRAINING AND SUPERVISION

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved amendments to MFDA Policy No. 1 – New Registrant Training and Supervision. In addition, the Alberta Securities Commission, Manitoba Securities Commission, New Brunswick Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendments.

The amendments clarify that a branch manager must pre-approve all new accounts for newly registered salespersons before any trade is processed in the account.

The amendments are housekeeping in nature. A description and a copy of the amendments are contained in Chapter 13 of this OSC Bulletin.

1.1.8 Notice of Commission Approval – Amendments to Section 11 of MFDA By-law No. 1 – Member Approval Process

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

AMENDMENTS TO SECTION 11 OF MFDA BY-LAW NO. 1 REGARDING THE MEMBER APPROVAL PROCESS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved amendments to Section 11 of MFDA By-law No. 1 regarding the Member approval process. In addition, the Alberta Securities Commission, Manitoba Securities Commission, New Brunswick Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendments. The amendments streamline and clarify the MFDA Member approval process, with the objective of ensuring that the membership application process remains fair and allows for due process, clarifies who the appropriate decision makers are, and is administratively and procedurally practical and efficient.

The MFDA's proposal was published for comment on September 21, 2007 at (2007) 30 OSCB 8174. Some non-material changes have been made to the MFDA's proposal since the time it was originally published. A blacklined version of the approved amendments are being published in Chapter 13 of this Bulletin.

1.1.9 Notice of Commission Approval – Housekeeping Amendments to MFDA Rule 2.3 – Power of Attorney / Limited Trading Authorization

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

HOUSEKEEPING AMENDMENTS TO MFDA RULE 2.3 – POWER OF ATTORNEY / LIMITED TRADING AUTHORIZATION

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved amendments to MFDA Rule 2.3 – Power of Attorney/Limited Trading Authorization. In addition, the Alberta Securities Commission, Manitoba Securities Commission, New Brunswick Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendments.

The amendments will require an Approved Person who accepts or acts upon a general power of attorney or similar authorization from a client, where the client is the Approved Person's spouse, parent, or child, to notify the Member of their acceptance of the power of attorney or similar authorization.

The amendments are housekeeping in nature. A description and a copy of the amendments are published in Chapter 13 of this OSC Bulletin.

1.1.10 Notice of Commission Approval – Housekeeping Amendments to MFDA Rule 4 – Insurance

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

HOUSEKEEPING AMENDMENTS TO MFDA RULE 4 – INSURANCE

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved amendments to MFDA Rule 4 – Insurance. In addition, the Alberta Securities Commission, Manitoba Securities Commission, New Brunswick Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendments.

The amendments include minor changes to Rule 4.2 and Rule 4.3 to clarify the application of those rules. In addition, the amendments to Rule 4.7 provide that the limits under a Member's insurance policy may also be affected by claims made by a holding company of the Member, provided that the holding company does not carry on any business or own any investments other than its interest in the Member.

The amendments are housekeeping in nature. A description and a copy of the amendments are published in Chapter 13 of this OSC Bulletin.

1.1.11 Notice of Commission Approval – Housekeeping Amendments to MFDA Rule 1.1.7 – Business Names, Styles, Etc.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

HOUSEKEEPING AMENDMENTS TO MFDA RULE 1.1.7 – BUSINESS NAMES, STYLES, ETC.

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved amendments to MFDA Rule 1.1.7 – Business Names, Styles, Etc. In addition, the Alberta Securities Commission, Manitoba Securities Commission, New Brunswick Securities Commission, Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendments.

The amendments clarify that the requirement in Rule 1.1.7(d) to notify the MFDA prior to the use of any business style or trade names other than the Member's legal name applies to any business style or trade names to be used by Approved Persons in connection with the business of the Member as well as business carried on by Approved Persons outside of the Member.

The amendments are housekeeping in nature. A description and a copy of the amendments are published in Chapter 13 of this OSC Bulletin.

1.2 Notices of Hearing

1.2.1 Global Partners Capital et al. - 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
GLOBAL PARTNERS CAPITAL,
ASIA PACIFIC ENERGY, INC.,
1666475 ONTARIO INC. operating as
"ASIAN PACIFIC ENERGY", ALEX PIDGEON,
KIT CHING PAN also known as Christine Pan,
HAU WAI CHEUNG, also known as Peter Cheung,
Tony Cheung, Mike Davidson, or Peter McDonald,
GURDIP SINGH GAHUNIA also known as
Michael Gahunia or Shawn Miller,
BASIL MARCELLINIUS TOUSSAINT also known as
Peter Beckford, and RAFIQUE JIWANI
also known as Ralph Jay

NOTICE OF HEARING
(Sections 127 and 127.1)

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127 and 127.1 of the Ontario *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission at 20 Queen Street West, 17th Floor Hearing Room on Wednesday, October 1st, 2008 at 11 a.m., or as soon thereafter as the hearing can be held, to consider:

(i) whether, in the opinion of the Commission, it is in the public interest, pursuant to ss. 127 and 127.1 of the Act to order that:

(a) trading in any securities by Global Partners Capital ("Global Partners"), Asia Pacific Energy, Inc. ("Asia Pacific"), 1666475 Ontario Inc. operating as Asian Pacific Energy ("1666475"), Alex Pidgeon ("Pidgeon"), Kit Ching Pan also known as Christine Pan ("Pan"), Hau Wai Cheung also known as Peter Cheung, Tony Cheung, Mike Davidson, or Peter McDonald ("Cheung"), Gurdip Singh Gahunia also known as Michael Gahunia or Shawn Miller ("Gahunia"), Basil Marcellinius Toussaint also known as Peter Beckford ("Toussaint"), and Rafique Jiwani also known as Ralph Jay ("Jiwani") (collectively the "Respondents") cease permanently or for such period as is specified by the Commission;

(b) the acquisition of any securities by the Respondents is prohibited permanently or for such other period as is specified by the Commission;

(c) any exemptions contained in Ontario securities law do not apply to the Respondents permanently or for such period as is specified by the Commission;

(d) each Respondent disgorge to the Commission any amounts obtained as a result of non-compliance by that respondent with Ontario securities law;

(e) the Respondents be reprimanded;

(f) Pan, Cheung, Pidgeon, Gahunia, Toussaint, and Jiwani (collectively the "Individual Respondents") resign one or more positions that they hold as a director or officer of any issuer, registrant, or investment fund manager;

(g) The Individual Respondents be prohibited from becoming or acting as a director or officer of any issuer, a registrant, an investment fund manager;

(h) the Respondents be prohibited from becoming or acting as a registrant, as an investment fund manager or as a promoter;

(i) the Respondents each pay an administrative penalty of not more than $1 million for each failure by that respondent to comply with Ontario securities law; and,

(j) the Respondents be ordered to pay the costs of the Commission investigation and the hearing;

(ii) whether, in the opinion of the Commission, an order should be made pursuant to section 37 of the Act that the Respondents cease permanently to telephone from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities; and,

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

BY REASON OF the allegations as set out in the Statement of Allegations of Staff of the Commission dated September 11, 2008 and such further additional allegations as counsel may advise and the Commission may permit;

AND BY REASON OF the evidence filed with the Commission and the testimony heard by the Commission;

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 proceedings.

DATED at Toronto this 11th day of September, 2008

"Christos Grivas"
John Stevenson
A/Secretary to the Commission
CHRISTOS GRIVAS

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

AND

IN THE MATTER OF
GLOBAL PARTNERS CAPITAL,
ASIA PACIFIC ENERGY, INC.,
1666475 ONTARIO INC. operating as
"ASIAN PACIFIC ENERGY", ALEX PIDGEON,
KIT CHING PAN also known as Christine Pan,
HAU WAI CHEUNG, also known as Peter Cheung,
Tony Cheung, Mike Davidson, or Peter McDonald,
GURDIP SINGH GAHUNIA also known as
Michael Gahunia or Shawn Miller,
BASIL MARCELLINIUS TOUSSAINT also known as
Peter Beckford, and RAFIQUE JIWANI
also known as Ralph Jay

STATEMENT OF ALLEGATIONS
OF STAFF OF THE
ONTARIO SECURITIES COMMISSION

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

I. THE RESPONDENTS

1. Global Partners Capital ("Global Partners") is an unincorporated organization or business that operated in Toronto, Ontario.

2. Asia Pacific Energy, Inc. ("Asia Pacific") is a corporation that was registered in Nevada, U.S.A. that was incorporated on or about December 19, 2005.

3. 1666475 Ontario Inc. operating as "Asian Pacific Energy" ("1666475") is an Ontario corporation that was incorporated on or about July 13, 2005.

4. Alex Pidgeon ("Pidgeon") was the President and a registered director of Asia Pacific during the Material Time (as defined herein). Staff believe that Pidgeon resides in the State of Nevada, U.S.A.

5. Kit Ching Pan, also known as Christine Pan, ("Pan") is the President and sole registered director of 1666475.

6. Hau Wai Cheung, also known as Peter Cheung, Tony Cheung, Mike Davidson, or Peter McDonald, ("Cheung") is an officer or director of 1666475. Cheung was the President and a registered director of Asia Pacific during the Material Time.

7. Gurdip Singh Gahunia, also known as Michael Gahunia or Shawn Miller, ("Gahunia") was a co-manager and salesperson of Global Partners.

8. Basil Marcellinius Toussaint, also known as Peter Beckford, ("Toussaint") was a co-manager and salesperson of Global Partners.

9. Rafique Jiwani, also known as Ralph Jay, ("Jiwani") was a manager of Global Partners.

II. BACKGROUND TO ALLEGATIONS

- **Trading in Securities of Asia Pacific**

10. Staff allege that between February, 2006 and October, 2007 (the "Material Time"), Asia Pacific, Global Partners, 1666475, Pidgeon, Pan, Cheung, Gahunia, Toussaint, and Jiwani (collectively the "Respondents") traded securities of Asia Pacific.

11. Throughout the Material Time, none of the Respondents were registered in any capacity with the Commission.

12. The trades in Asia Pacific securities were trades in securities not previously issued and were therefore distributions. No preliminary prospectus or prospectus was filed and no receipts were issued for them by the Director to qualify the trading of Asia Pacific securities.

13. Global Partners purported to be a venture capital investment firm trading in various securities, including Asia Pacific. Throughout the Material Time, individuals, situated in premises in Ontario, claimed to be employed by Global Partners and sold Asia Pacific securities to investors.

14. Cheung, Gahunia, and Toussaint and other employees, representatives or agents of Global Partners contacted investors or potential investors by phone, and used aliases when speaking with investors or potential investors on the telephone. Some of the aliases used were: Sean Miller or Shawn Miller, Peter Beckford, and Gordon Scott.

15. Potential investors were sent information packages about Asia Pacific by e-mail, facsimile or mail.

16. The Respondents traded securities of Asia Pacific to Ontario residents and residents of other jurisdictions, primarily the United States, in circumstances where there were no exemptions available to them under the Act.

17. Cheung, Gahunia, and Toussaint and other employees, representatives or agents of Global Partners made representations or undertakings to potential investors and investors, with the intention of effecting trades, that:

(a) Asia Pacific shares would be repurchased or the purchase price would be refunded if the investor wished;

(b) Asia Pacific securities were about to be listed on a stock exchange; and,

(c) made undertakings relating to the future value or price of the Asia Pacific securities.

18. Asia Pacific securities were sold to over 110 investors and these investors sent over $2,200,000 (USD) to Asia Pacific.

19. After agreeing to invest, investors received a subscription agreement from Asia Pacific. The subscription agreement set out the quantity, unit price and total amount of investment. Investors were instructed to make cheques payable to Asia Pacific and to send the subscription agreement and cheques to an address in Dallas, Texas, U.S.A. The address in Dallas was a virtual office run by Regus/HQ Business Centres. Some investors were also given instructions on how to send their funds to Asia Pacific via wire transfer and did so.

20. Investors received a share certificate signed by Cheung for common shares in Asia Pacific.

21. The investor funds were deposited into one of three Asia Pacific bank accounts in the United States (the "U.S. Accounts"). The U.S. Accounts were all controlled by Pidgeon.

22. Pidgeon paid himself over $90,000 (USD) from the U.S. Accounts.

23. Between and including March 2006 and October 2007, over $2,000,000 (USD) was transferred from the U.S. Accounts to a U.S. dollar bank account in Canada held by 1666475 (the "1666475 USD Account"). Pan was the sole signatory on this account.

24. Over $1,000,000 (USD) was transferred from the 1666475 USD Account to a Canadian dollar account in Canada held by 1666475 (the "Canadian Account"). Pan was the sole signatory on the Canadian Account.

25. In 2006 and 2007, over $600,000 (USD) was removed from the 1666475 USD Account and paid out to individuals, including some of the Respondents, primarily as salary and commission.

26. In 2006 and 2007, over $520,000 was removed from the Canadian Account and paid out to individuals, including some of the Respondents, primarily as salary and commission.

27. Approximately $300,000 of investor funds was used to pay credit card bills for Pan from the Canadian Account.

- **Fraudulent Conduct**

28. Cheung, Gahunia, Toussaint, Pan and other employees, representatives or agents of Global Partners, during the Material Time, adopted high pressure sales approaches that included making prohibited representations and undertakings, as well as providing information to potential investors that was false, inaccurate and misleading, including:

(a) that Asia Pacific was about to go public and would be listed on a stock exchange;

(b) false, inaccurate and misleading information with respect to the business activities of Asia Pacific;

(c) false, inaccurate, and misleading content on the Asia Pacific website;

(d) false, inaccurate, and misleading information with respect to assets held by Asia Pacific;

(e) false, inaccurate, and misleading information with respect to the location of the business premises; and,

(f) using false names and aliases when communicating with potential investors and investors.

29. The false, inaccurate and misleading representations and undertakings were made with the intention of effecting trades in the securities of Asia Pacific.

30. Pan, Cheung, Gahunia, Toussaint, Jiwani and other employees, representatives or agents of Global Partners engaged in a course of conduct relating to securities that they knew or reasonably ought to have known would result in a fraud on investors.

31. Staff allege that Asia Pacific was, for the majority of the Material Time, not carrying on legitimate business operations and that their only significant source of funds was funds obtained from investors as a result of fraudulent conduct.

32. Pidgeon and Cheung, as directors or officers of Asia Pacific, authorized, permitted or acquiesced in the violations of Ontario securities laws that were committed by Asia Pacific or by the employees, agents or representatives of Asia Pacific.

33. Pan, Cheung, Gahunia, Toussaint, and Jiwani, as directors or officers of Global Partners, authorized, permitted or acquiesced in the violations of Ontario securities laws that were committed by Global Partners or by the employees, agents or representatives of Global Partners.

34. Pan and Cheung, as directors or officers of 1666475, authorized, permitted or acquiesced in the violations of Ontario securities laws that were committed by 1666475 or by the employees, agents or representatives of 1666475.

- **Misleading Persons Appointed To Make An Investigation Or Examination**

35. On November 1, 2007, Toussaint made statements to Staff that he was not involved in the sale of securities of Asia Pacific. Staff allege that the statements were, in a material respect and at the time and in the light of the circumstances under which they were made, misleading or untrue. Staff allege that Toussaint misled Staff with respect to his involvement in the sales of securities of Asia Pacific.

36. On January 28, 2008, Gahunia, made a statement to Staff that he never used the name Sean Miller at the Global Partners office. Staff allege that this statement, in a material respect and at the time and in the light of the circumstances under which it was made, was misleading or untrue. Staff allege that Gahunia used the alias Sean Miller or Shawn Miller when selling Asia Pacific securities to investors.

III. STAFF'S ALLEGATIONS – Conduct Contrary to Ontario Securities Law and Contrary to the Public Interest

37. The specific allegations advanced by Staff are:

(a) Between and including February, 2006 and October, 2007, the Respondents engaged or participated in acts, practices or courses of conduct relating to Asia Pacific securities that the Respondents knew or reasonably ought to have known perpetrated a fraud on persons or companies, contrary to section 126.1(b) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") and contrary to the public interest;

(b) Between and including February, 2006 and October, 2007, the Respondents traded in securities of Asia Pacific without being registered to trade in securities, contrary to section 25(1)(a) of the Act and contrary to the public interest;

(c) Between and including February, 2006 and October, 2007, the Respondents traded in securities of Asia Pacific when a preliminary prospectus and a prospectus had not been filed and receipts had not been issued for them by the Director, contrary to section 53(1) of the Act and contrary to the public interest;

(d) Between and including February, 2006 and October, 2007, Cheung, Gahunia, and Toussaint, with the intention of effecting a trade in securities of Asia Pacific, made representations that the Asia Pacific securities would be repurchased or that the purchase price would be refunded, contrary to section 38(1) of the Act and contrary to the public interest;

(e) Between and including February, 2006 and October, 2007, Cheung, Gahunia, and Toussaint gave undertakings, with the intention of effecting a trade in securities of Asia Pacific, as to the future value or price of the securities of Asia Pacific, contrary to section 38(2) of the Act and contrary to the public interest;

(f) Between and including February, 2006 and October, 2007, Cheung, Gahunia, and Toussaint made representations without the written permission of the Director, with the intention of effecting a trade in securities of Asia Pacific, that such security would be listed on a stock exchange or quoted on any quotation and trade reporting system, contrary to section 38(3) of the Act and contrary to the public interest;

(g) Between and including February, 2006 and October, 2007, Pan, Cheung, Gahunia, Toussaint and Jiwani, being directors or officers of Global Partners, did authorize, permit or acquiesce in the commission of the violations of sections 126.1, 25, 53 and 38 of the Act, set out above, by Global Partners or by the employees, agents or representatives of Global Partners, which constitute offences under subsection 122(1)(c) of the Act, contrary to section 122(3) of the Act and contrary to the public interest;

(h) Between and including February, 2006 and October, 2007, Pidgeon and Cheung, being directors or officers of Asia Pacific, did authorize, permit or acquiesce in the commission of the violations of sections 126.1, 25, and 53 of the Act, set out above, by Asia Pacific or by the employees, agents or representatives of Asia Pacific, which constitute offences under subsection 122(1)(c) of the Act, contrary to section 122(3) of the Act and contrary to the public interest;

(i) Between and including February, 2006 and October, 2007, Pan and Cheung being directors or officers of 1666475, did authorize, permit or acquiesce in the commission of the violations of sections 126.1, 25, and 53 of the Act, set out above, by 1666475 or by the employees, agents or representatives of 1666475, which constitute offences under subsection 122(1)(c) of the Act, contrary to section 122(3) of the Act and contrary to the public interest;

(j) On or about November 1, 2007, Toussaint made statements, to Staff appointed to make an investigation or examination under the Act, during an examination conducted by Staff, that he was not involved in the sales of securities of Asia Pacific, that, in a material respect and at the time and in the light of the circumstances under which they were made, were misleading or untrue, contrary to section 122(1)(a) of the Act and contrary to the public interest; and,

(k) On or about January 28, 2008, Gahunia, made a statement, to Staff appointed to make an investigation or examination under the Act, during an examination conducted by Staff, that he never used the name Sean Miller at the Global Partners office, that, in a material respect and at the time and in the light of the circumstances under which it was made, was misleading or untrue and did thereby commit an offence, contrary to section 122(1)(a) of the Act and contrary to the public interest.

38. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED at Toronto, September 11, 2008.

1.3 News Releases

1.3.1 Settlement Agreements related to AiT Advanced Information Technologies Corporation and Bernard Jude Ashe Revoked

FOR IMMEDIATE RELEASE
September 17, 2008

SETTLEMENT AGREEMENTS RELATED TO AiT ADVANCED INFORMATION TECHNOLOGIES CORPORATION AND BERNARD JUDE ASHE REVOKED

TORONTO – Following an application by Staff, the Ontario Securities Commission (OSC) today issued an Order under Section 144 of the *Securities Act* revoking a previous Commission Order approving settlement agreements that had been entered into between Staff and AiT Advanced Information Technologies Corporation (AiT) and Bernard Jude Ashe.

"Logic and fairness dictate that these settlement agreements ought to be revoked," said the Chair of the Commission Panel, Patrick LeSage, Q.C.

On February 26, 2007, the Commission issued an Order approving settlement agreements between Staff of the Commission and AiT, and Staff of the Commission and Mr. Ashe. Following a contested hearing on the merits, the Commission dismissed allegations against another respondent in the matter, Deborah Weinstein on January 14, 2008. The Commission concluded at that time that AiT did not fail to make timely disclosure of a material change and did not contravene the *Act* and therefore the allegations against Ms. Weinstein were dismissed.

In the application, Staff submitted that identical facts formed the basis for the contested hearing involving Ms. Weinstein and the settlement agreements involving AiT and Mr. Ashe. If AiT did not contravene the *Act*, then Mr. Ashe and Ms. Weinstein could not be a party to AiT's violation of the *Act*.

The Commission Order is available on the OSC website at www.osc.gov.on.ca.

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

Laurie Gillett
Manager, Public Affairs
416-595-8913

Carolyn Shaw-Rimmington
Assistant Manager,
Public Affairs
416-593-2361

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

1.3.2 Canadian Securities Regulators Support Temporary Order Issued by OSC Prohibiting Short Selling

FOR IMMEDIATE RELEASE
September 19, 2008

CANADIAN SECURITIES REGULATORS SUPPORT TEMPORARY ORDER ISSUED BY OSC PROHIBITING SHORT SELLING

Toronto – The Canadian Securities Administrators (CSA) indicated support today related to the issuance of a Temporary Order by the Ontario Securities Commission (OSC) prohibiting short selling of securities of certain financial sector issuers that are listed on the Toronto Stock Exchange (TSX) and are also interlisted in the United States (with the exception of one issuer whose shares are interchangeable).

"The CSA is supportive of the action taken by the OSC today," said Jean St-Gelais, Chair of the CSA and President & Chief Executive Officer of the Autorité des marchés financiers (Québec). "Other jurisdictions in the CSA will be taking similar action today, or in the coming days."

The CSA will also monitor trading in securities of other Canadian financial issuers and take action if necessary.

The OSC took the action in its capacity as lead regulator of the TSX. The action taken by the OSC today supports the action taken by the U.S. Securities and Exchange Commission earlier today. The U.K. Financial Services Authority took similar action this week.

The issuers affected are: Aberdeen Asia-Pacific Income Investment Company Ltd., Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Fairfax Financial Holdings Limited, Kingsway Financial Services Inc., Manulife Financial Corporation, Quest Capital Corp., Royal Bank of Canada, Sun Life Financial Inc., Thomas Weisel Partners Group Inc., The Toronto-Dominion Bank, and Merrill Lynch & Co., Canada Ltd.

The CSA, the council of the securities regulators of Canada's provinces and territories, co-ordinates and harmonizes regulation for the Canadian capital markets.

For more information:

For media inquiries:

Laurie Gillett
Ontario Securities Commission
416-595-8913

Barbara Shourounis
Saskatchewan Financial Services Commission
306-787-5842

Sylvain Théberge
Autorité des marchés financiers
514-940-2176

Andrew Poon
British Columbia Securities Commission
604-899-6880

Natalie MacLellan
Nova Scotia Securities Commission
902-424-8586

Mark Dickey
Alberta Securities Commission
403-297-4481

Ainsley Cunningham
Manitoba Securities Commission
204-945-4733

Wendy Connors-Beckett
New Brunswick Securities Commission
506 643-7745

Marc Gallant
Prince Edward Island
Office of the Attorney General
902-368-4552

Doug Connolly
Financial Services Regulation Division
Newfoundland and Labrador
709-729-2594

Louis Arki
Nunavut Securities Registry
867-975-6587

Donn MacDougall
Securities Registry
Northwest Territories
867-920-8984

Fred Pretorius
Yukon Securities Registry
867-667-5225

1.3.3 OSC Amends Temporary Order Prohibiting Short Selling

FOR IMMEDIATE RELEASE
September 22, 2008

OSC AMENDS TEMPORARY ORDER PROHIBITING SHORT SELLING

TORONTO – The Ontario Securities Commission (OSC) today issued an amended Temporary Order under Section 144 of the *Securities Act* prohibiting short selling of certain financial sector issuers. This follows a Temporary Order under Section 127 (5) of the *Act* prohibiting short selling of securities of certain financial sector issuers that are listed on the Toronto Stock Exchange (TSX) and are also interlisted in the United States (with the exception of one issuer whose shares are exchangeable).

The original Order was issued as a precautionary matter with respect to short selling of the securities of financial sector issuers subject to the U.S. Securities and Exchange Commission (SEC) short selling order dated September 18, 2008, and to ensure that our markets are not used for purposes of regulatory arbitrage.

The OSC is acting in its capacity as lead regulator of the TSX. The amended Order is intended to address technical and operational matters that have arisen, or may arise, from the original Order, and supports action taken by the SEC on September 21, 2008, whereby it made similar amendments.

The OSC is a member of the Canadian Securities Administrators (CSA), which is the council of the securities regulators of Canada's provinces and territories. Other CSA members are examining the original and amended Orders and may issue similar Orders in the coming days.

The issuers affected by the original and amended Orders are: Aberdeen Asia-Pacific Income Investment Company Ltd., Bank of Montreal, The Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Fairfax Financial Holdings Limited, Kingsway Financial Services Inc., Manulife Financial Corporation, Quest Capital Corp., Royal Bank of Canada, Sun Life Financial Inc., Thomas Weisel Partners Group Inc., The Toronto-Dominion Bank, and Merrill Lynch & Co., Canada Ltd.

The amended Order will be in effect until October 3, 2008, unless extended by Order of the Commission. The amended Order is available on the OSC website at www.osc.gov.on.ca.

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

Laurie Gillett
Manager, Public Affairs
416-595-8913

Carolyn Shaw-Rimmington
Assistant Manager,
Public Affairs
416-593-2361

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

1.4 Notices from the Office of the Secretary

1.4.1 New Life Capital Corp. et al.

FOR IMMEDIATE RELEASE
September 19, 2008

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

AND

IN THE MATTER OF
NEW LIFE CAPITAL CORP.,
NEW LIFE CAPITAL INVESTMENTS INC.,
NEW LIFE CAPITAL ADVANTAGE INC.,
NEW LIFE CAPITAL STRATEGIES INC.,
1660690 ONTARIO LTD., L. JEFFREY POGACHAR,
PAOLA LOMBARDI AND ALAN S. PRICE

TORONTO – The Commission issued an Order extending the Temporary Order to October 15, 2008 in the above named matter.

The hearing is adjourned to October 14, 2008 at 2:30 p.m.

A copy of the Order dated September 19, 2008 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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

Laurie Gillett
Manager, Public Affairs
416-595-8913

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Public Affairs
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1.4.2 XI Biofuels Inc. et al.

FOR IMMEDIATE RELEASE
September 19, 2008

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

AND

IN THE MATTER OF
XI BIOFUELS INC., BIOMAXX SYSTEMS INC.,
RONALD DAVID CROWE AND VERNON P. SMITH

AND

IN THE MATTER OF
XIIVA HOLDINGS INC. CARRYING ON BUSINESS
AS XIIVA HOLDINGS INC., XI ENERGY COMPANY,
XI ENERGY AND XI BIOFUELS

TORONTO – The Commission issued an Order today which provides that the Temporary Orders are extended to October 22, 2008 and the Xi Hearing and the Xiiva Hearing for the extension of the Temporary Orders are adjourned to October 21, 2008 at 10:00 a.m.

A copy of the Order dated September 19, 2008 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
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SECRETARY

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Director, Communications
& Public Affairs
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Manager, Public Affairs
416-595-8913

Carolyn Shaw-Rimmington
Assistant Manager,
Public Affairs
416-593-2361

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416-593-8314
1-877-785-1555 (Toll Free)

1.4.3 Global Partners Capital et al.

FOR IMMEDIATE RELEASE
September 23, 2008

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

AND

IN THE MATTER OF
GLOBAL PARTNERS CAPITAL,
ASIA PACIFIC ENERGY, INC.,
1666475 ONTARIO INC. operating as
"ASIAN PACIFIC ENERGY", ALEX PIDGEON,
KIT CHING PAN also known as Christine Pan,
HAU WAI CHEUNG, also known as Peter Cheung,
Tony Cheung, Mike Davidson, or Peter McDonald,
GURDIP SINGH GAHUNIA also known as
Michael Gahunia or Shawn Miller,
BASIL MARCELLINIUS TOUSSAINT also known as
Peter Beckford, and RAFIQUE JIWANI
also known as Ralph Jay

TORONTO – The Office of the Secretary issued a Notice of Hearing in the above named matter setting the matter down to be heard on Wednesday, October 1st, 2008 at 11 a.m., or as soon thereafter as the hearing can be held.

A copy of the Notice of Hearing dated September 11, 2008 and Statement of Allegations of Staff of the Ontario Securities Commission dated September 11, 2008 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
& Public Affairs
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Laurie Gillett
Manager, Public Affairs
416-595-8913

Carolyn Shaw-Rimmington
Assistant Manager,
Public Affairs
416-593-2361

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 Upper Lake Oil and Gas Ltd. and Monterey Exploration Ltd.

Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions - request for exemption from Item 14.2 of 51-102F5 Information Circular to provide certain financial statement disclosure in an information circular - Filer completing a business combination with a private issuer that underwent a fundamental change in the nature of its business or operations and a change in all of its executive officers and directors - relief granted, subject to conditions.

Applicable Legislative Provisions

National Instrument 51-102 Continuous Disclosure Obligations, s. 13.1.
51-102F5 Information Circular, Item 14.2.

Citation: Upper Lake Oil and Gas Ltd. and Monterey Exploration Ltd., 2008 ABASC 471

July 31, 2008

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA AND ONTARIO
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
UPPER LAKE OIL AND GAS LTD.
(Upper Lake)

and

MONTEREY EXPLORATION LTD.
(Monterey, and together with Upper Lake, the Filers)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (**Decision Maker**) has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the **Legislation**) exempting the Filers from the requirement under the Legislation to provide financial statement disclosure with respect to Monterey for the year ended December 31, 2005 (the **2005 Financial Statements**) in the management information circular (the **Information Circular**) prepared by the Filers and delivered to the holders (**Upper Lake Shareholders**) of common shares (**Upper Lake Shares**) and options (**Upper Lake Options**) of Upper Lake (**Upper Lake Optionholders**) and together with the Upper Lake Shareholders (the **Upper Lake Securityholders**), in connection with the special meeting (**Special Meeting**) of Upper Lake Securityholders scheduled to be held on August 29, 2008 (collectively, the **Exemption Sought**).

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

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

(b) the Filers have provided notice that Subsection 4.7(1) of Multilateral Instrument 11-102 Passport System (MI 11-102) is intended to be relied upon in British Columbia, Saskatchewan, Manitoba, Québec and New Brunswick; and

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

Interpretation

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

Representations

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

Upper Lake

1. Upper Lake is a corporation incorporated under the laws of the Province of Alberta. The principal office of Upper Lake is located in Calgary, Alberta.

2. Upper Lake is engaged in the exploration, development and production of oil and natural gas in western Canada.

3. Upper Lake is a reporting issuer or the equivalent under the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec and New Brunswick. To its knowledge, Upper Lake is not in default of securities legislation in any jurisdiction of Canada.

4. The Upper Lake Shares are listed on the Toronto Stock Exchange (the **TSX**) under the symbol "UP".

5. Upper Lake has filed an "AIF" and has "current annual financial statements" (as such terms are defined in National Instrument 44-101 Short Form Prospectus Distributions (**NI 44-101**)) for the financial year ended December 31, 2007.

Monterey

1. Monterey is a corporation continued under the laws of the Province of Alberta. The principal office of Monterey is located in Calgary Alberta.

2. Monterey is engaged in the exploration, development and production of oil and natural gas in western Canada.

3. Monterey is privately held and is not a reporting issuer in any jurisdiction. To its knowledge, Monterey is not in default of applicable securities legislation in any jurisdiction of Canada.

4. The Monterey Shares are not listed or posted for trading on any exchange or quotation and trade reporting system.

5. Monterey is the successor of 608841 New Brunswick Ltd. (**608 New Brunswick**), which is in turn, the successor of Mirant Canada Energy Marketing Investments, Inc. (**Mirant Investments**). 608 New Brunswick and Mirant Investments are referred to herein, collectively, as the "Monterey Predecessors".

Monterey Predecessors

1. Mirant Investments was incorporated under the laws of the Province of Alberta on September 18, 2001 and was subsequently continued into New Brunswick on October 7, 2003.

2. Mirant Investments was an indirect, wholly-owned subsidiary of Mirant Corporation, a corporation incorporated under the laws of the State of Delaware on April 20, 1993.

3. Mirant Canada Energy Marketing, Ltd. (**Mirant Marketing**) was the result of an amalgamation effected under the laws of the Province of Alberta on January 1, 2002 and was subsequently continued into New Brunswick on October 7, 2003. Mirant Marketing was a wholly-owned subsidiary of Mirant Investments.

4. Each of Mirant Investments and Mirant Marketing (collectively, **Mirant**) were engaged in the business of downstream natural gas marketing.

Mirant Insolvency Proceedings

1. On July 13, 2003, Mirant Corporation filed for voluntary relief under Chapter 11 of the Bankruptcy Code of the United States of America (the **Chapter 11 Relief**) and on July 14, 2003 Mirant filed for creditor protection in Canada under the Companies' Creditors Arrangement Act (**CCAA**) (collectively, the **Mirant Insolvency Proceedings**).

2. During the Mirant Insolvency Proceedings, Mirant sold or wound down all or substantially all of its operations and reached a court approved settlement agreement with its creditors and was discharged from CCAA protection in October 2004. Following such discharge, Mirant was indirectly operated by its parent company, Mirant Corporation. It was the intention of Mirant Corporation to seek out a restructuring transaction or sale in respect of Mirant in order to benefit Mirant Corporation, which was still under Chapter 11 Relief.

3. On November 23, 2005, Mirant Americas, Inc. (a wholly-owned subsidiary of **Mirant Corporation**) and Mirant Investments entered into a restructuring agreement (the **Restructuring Agreement**) whereby Mirant Investments agreed to amalgamate (the **Amalgamation**) with Mirant Marketing to form 608 New Brunswick. The Amalgamation was completed on December 21, 2005.

4. At the time the Restructuring Agreement was signed, the board of directors of Mirant Investments consisted of two directors. While Mirant Investments had not appointed any officers since October of 2003, four officers were appointed by Mirant Investments on December 19, 2005 for the sole purpose of signing documentation in connection with the Restructuring Agreement. These four officers did not continue as officers following the Amalgamation and continuance into Alberta.

5. Pursuant to the Restructuring Agreement, 608 New Brunswick was, among other things, continued into Alberta on December 28, 2005 and concurrently changed its name to Monterey Exploration Ltd. On or about January 12, 2006, the current management team of Monterey was appointed and following Monterey's annual and special meeting of shareholders held on March 29, 2006, the shareholders of Monterey elected a new slate of directors such that no former directors of the Monterey Predecessors remained as directors of Monterey.

6. Prior to the Mirant Insolvency Proceedings, Mirant operated as a downstream gas marketing business, engaged in the sale of natural gas to large industrial users and local distribution companies and the provision of natural gas hedging instruments. Following Mirant's emergence from the Mirant Insolvency Proceedings in October 2004, Mirant carried on minimal operations through its parent company, Mirant Corporation, with a view to conducting a restructuring agreement or sale that would benefit Mirant Corporation, which was still under Chapter 11 Relief.

7. Following the Restructuring Agreement, Monterey carried on business (and currently carries on business) in the upstream oil and gas exploration and production business, engaged in the exploration, development and production of oil and natural gas through drilling and property acquisitions. Such operations are fundamentally different from the operations previously conducted by Mirant.

The Arrangement

1. Upper Lake entered into an arrangement agreement (the **Arrangement Agreement**) with Monterey on July 2, 2008 whereby: (i) all of the issued and outstanding Upper Lake Shares will be exchanged for Monterey Shares on the basis of 0.28 of a Monterey Share for each Upper Lake Share held; and (ii) all of the unexercised Upper Lake Options will be cancelled in exchange for that number of Monterey Shares equal to the difference by which the weighted average trading price of the Upper Lake Shares exceeds the exercise price of such Upper Lake Options, multiplied by 0.28 (collectively, the **Arrangement**).

2. The Arrangement will constitute a "restructuring transaction" for Upper Lake under the Legislation.

3. Upper Lake and Monterey are preparing the Information Circular to be mailed to the Upper Lake Securityholders in connection with the Special Meeting, which is currently scheduled to be held on August 29, 2008. At the Special Meeting, Upper Lake Securityholders will be given an opportunity to vote on the Arrangement.

4. Pursuant to Section 14.2 of Form NI 51-102F5 Information Circular (the **Circular Form**) of National Instrument 51-102 Continuous Disclosure Obligations, Upper Lake is required to include financial statement disclosure in respect of Monterey, including audited income statements, statements of retained earnings and cash flow statements for the financial years ended December 31, 2007, December 31, 2006 and December 31, 2005 and audited balance sheets as at the end of December 31, 2007 and December 31, 2006.

5. As the business currently conducted by Monterey is fundamentally different from the business previously conducted by Mirant, and all of the executive officers and directors of Monterey have changed, any financial statements compiled in respect of Monterey for the financial year ended December 31, 2005 would not assist Upper Lake Securityholders or other potential shareholders with their assessment of Monterey's current business.

6. The Filers propose to include in the Information Circular the following financial statement disclosure in respect of Monterey:

   (a) an unaudited income statement, a statement of retained earnings, and a cash flow statement of Monterey for the three month period ended March 31, 2008, together with a comparative income statement, statement of retained earnings, and cash flow statement of Monterey for the three month period ended March 31, 2007;

   (b) an unaudited balance sheet of Monterey for the three month period ended March 31, 2008, together with a comparative balance sheet of Monterey for the three month period ended March 31, 2007;

   (c) audited income statements, statements of retained earnings, and cash flow statements of Monterey for the financial years ended December 31, 2007 and December 31, 2006; and

   (d) audited balance sheets of Monterey for the financial years ended December 31, 2007 and December 31, 2006.

7. In addition, the Information Circular will contain disclosure in accordance with the Circular Form and in respect of Monterey, in accordance with National Instrument 41-101 General Prospectus Requirements. The Circular will also include, among other things, financial statement disclosure in respect of Upper Lake in compliance with National Instrument 44-101 Short Form Prospectus Distributions and the pro forma financial statements of Upper Lake and Monterey in compliance with Form NI 41-101F1 Information Required in a Prospectus.

Decision

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

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted provided that the Filers include in the Information Circular:

(a) an unaudited income statement, a statement of retained earnings, and a cash flow statement of Monterey for the three month period ended March 31, 2008, together with a comparative income statement, statement of retained earnings, and cash flow statement of Monterey for the three month period ended March 31, 2007;

(b) an unaudited balance sheet of Monterey for the three month period ended March 31, 2008, together with a comparative balance sheet of Monterey for the three month period ended March 31, 2007;

(c) audited income statements, statements of retained earnings, and cash flow statements of Monterey for the financial years ended December 31, 2007 and December 31, 2006; and

(d) audited balance sheets of Monterey for the financial years ended December 31, 2007 and December 31, 2006.

Agnes Lau, CA
Associate Director, Corporate Finance
Alberta Securities Commission

2.1.2 Art In Motion Income Fund and Clarke Inc.

Headnote

NP 11-203 – MI 61-101 – take-over bid and subsequent business combination – MI 61-101 requires sending of information circular and holding of meeting in connection with second step business combination – target's declaration of trust provides that a resolution in writing executed by unitholders holding more than 66 2/3% of the outstanding units valid as if such voting rights had been exercised at a meeting of unitholders – relief granted from requirement that information circular be sent and meeting be held – minority approval to be obtained albeit in writing rather than at a meeting of unitholders.

Applicable Legislative Provisions

Multilateral Instrument 11-102 – Passport System.
National Policy 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions.
Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions.

September 17, 2008

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(THE "JURISDICTION")

AND

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

AND

IN THE MATTER OF THE
TAKE-OVER BID FOR
ART IN MOTION INCOME FUND
BY CLARKE INC.

DECISION

Background

The principal regulator in the Jurisdiction has received an application from Clarke Inc. (the "**Filer**") for a decision under the securities legislation of the Jurisdiction of the principal regulator (the "**Legislation**"), in connection with a take-over bid (the "**Bid**") for Art In Motion Income Fund (the "**Fund**"), for a decision that the requirements of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") that:

(1) a Compulsory Acquisition or Subsequent Acquisition Transaction (each as defined below), as applicable, be approved at a meeting of the unitholders of the Fund (the "**Unitholders**"); and

(2) an information circular be sent to the Unitholders in connection with either a Compulsory Acquisition or Subsequent Acquisition Transaction, as applicable;

be waived (the "**Exemption Sought**").

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions:

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

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

Interpretation

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

Representations

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

1. The Filer is a company incorporated under, and governed by, the federal laws of Canada and is a reporting issuer or equivalent in all provinces and territories of Canada. The Filer's principal office is located at 6009 Quinpool Road, 9th Floor, Halifax, Nova Scotia, B3K 5J7. To the best of its knowledge, the Filer is not in default of any requirements of the Legislation.

2. The Fund is a trust established under the laws of the Province of British Columbia pursuant to the Declaration of Trust (as defined below) and is a reporting issuer or equivalent in all provinces of Canada. The Fund's head office is located at 1200 – 200 Burrard Street, Vancouver, British Columbia, V7X 1T2.

3. As at the date of the commencement of the Bid, the Filer holds 60.13% of the voting securities of the Fund.

4. The Filer entered into a Support Agreement with the Fund on July 29, 2008 which set forth the terms and conditions upon which the Bid was to be made by the Filer.

5. On August 18, 2008, a take-over bid circular (the "**Bid Circular**") and a trustees' circular, each dated August 14, 2008, and related documents (collectively, the "**Offer Documents**"), were mailed to the Unitholders. Pursuant to the Offer Documents, the Bid is set to expire on September 23, 2008 (the "**Expiration Date**").

6. The outstanding trust units of the Fund (the "**Units**") are held by CDS Clearing and Depository Services Inc. in book-entry only form.

7. The Bid includes the following terms and conditions:

   (a) the Bid is for all of the issued and outstanding Units, other than any Units owned, directly or indirectly, by the Filer and its affiliates, at a price of $0.75 in cash per Unit; and

   (b) one of the conditions of the Bid is that there shall have been validly deposited under the Bid and not withdrawn as at the expiry of the Bid, such number of Units which constitutes at least: (A) 66 2/3% of the issued and outstanding Units (calculated on a fully-diluted basis), including Units directly or indirectly owned by the Filer; and (B) a majority of the outstanding Units that are held by persons whose Units may be included as part of any minority approval (being the approval of Unitholders other than the Filer and any associate, affiliate or insider of or joint actor with the Filer or any of their respective directors or senior officers) of a Subsequent Acquisition Transaction (as defined below), if minority approval is required under applicable laws (the "**Minimum Tender Condition**").

8. Under the Fund's Declaration of Trust (the "**Declaration of Trust**"), if within 60 days after the date of the Bid, the Minimum Tender Condition has been satisfied and the Bid is accepted by Unitholders representing not less than 90% of the outstanding Units, other than Units held at the date of the Offer by or on behalf of the Filer or an affiliate or associate of the Filer, then the Filer is entitled to acquire the Units held by Unitholders who did not accept the Offer (the "**Dissenting Unitholders**") on the same terms as the Filer acquired the Units of Unitholders who accepted the Offer (a "**Compulsory Acquisition**").

9. Under the Declaration of Trust, in order to effect a Compulsory Acquisition, the Filer must send, by registered mail, a notice to each of the Dissenting Unitholders in the form prescribed by the Declaration of Trust (the "**Offeror's Notice**") and the Dissenting Unitholders have 21 days from the date of the sending of the Offeror's Notice to transfer their Units to the Filer. In connection with either a Compulsory Acquisition, if available and if the Filer elects to proceed thereunder, or a Subsequent Acquisition Transaction (as defined below), the Filer currently intends to amend the Declaration of Trust by the Written Resolution (as defined below) to provide that Units held by

Dissenting Unitholders will be deemed to have been transferred to the Filer immediately on the sending of the Offeror's Notice in respect of a Compulsory Acquisition or a Subsequent Acquisition Transaction and that those Dissenting Unitholders will cease to have any rights as Unitholders from and after that time, other than the right to be paid the same consideration that the Filer would have paid to the Dissenting Unitholders if the Dissenting Unitholders had tendered their Units to the Bid (the "**Notice Amendment**").

10. If a Compulsory Acquisition as permitted under the Declaration of Trust is not available to the Filer or the Filer elects not to proceed under those provisions, the Filer currently intends to acquire the Units not deposited to the Bid by:

    (a) causing the Declaration of Trust to be amended (the "**Declaration of Trust Amendment**") in one or more of the following ways: (a) to permit the Fund, notwithstanding anything to the contrary contained in the Declaration of Trust, to redeem all outstanding Units in cash or in kind at a redemption price equal to the cash consideration paid for Units taken up under the Bid in connection with a Subsequent Acquisition Transaction (as defined below), (b) to reorganize the unit capital of the Fund, (c) to permit the Fund, notwithstanding anything to the contrary contained in the Declaration of Trust, to sell all or substantially all of its assets, or to permit or consent to the sale of all or substantially all of the assets of any of the Fund's subsidiaries, to the Filer and/or one or more of its affiliates immediately prior to the redemption of Units, the proceeds of which shall be used, in whole or in part, to fund such redemption, (d) to authorize and effect the winding-up or termination of the Fund, and the sale of all or substantially all assets by the Fund and/or one or more of the Fund's subsidiaries and redemption of Units in connection therewith, and (e) to lower the threshold to effect a Compulsory Acquisition to 66 2/3% of the outstanding Units (the acquisition following such amendment referred to herein as a "**Subsequent Acquisition Transaction**"); and

    (b) proceeding with the Subsequent Acquisition Transaction in respect of the Units not deposited to the Bid as permitted by the Declaration of Trust, as so amended.

11. In order to effect either a Compulsory Acquisition, if available and if the Filer elects to proceed thereunder, or a Subsequent Acquisition Transaction in accordance with the foregoing, rather than seeking the Unitholders' approval at a special meeting of the Unitholders to be called for such purpose, the Filer intends to rely on Section 11.10 of the Declaration of Trust, which specifies that a resolution in writing executed by Unitholders holding more than 66 2/3% of the outstanding Units at any time (the "**Written Resolution**") is as valid as if such resolution had been passed at a meeting of Unitholders duly called and convened; which Written Resolution will approve, among other things, the Declaration of Trust Amendment and the Notice Amendment and any Compulsory Acquisition or Subsequent Acquisition Transaction undertaken in accordance therewith, as applicable.

12. If the Filer decides not to pursue either the Compulsory Acquisition or the Subsequent Acquisition Transaction in the manner described above, the Filer reserves the right, to the extent permitted by applicable law, to purchase additional Units in the open market, in privately negotiated transactions, in another take-over bid or otherwise. Alternatively, the Filer may sell or otherwise dispose of any or all Units acquired pursuant to the Bid or otherwise.

13. In order to effect either a Compulsory Acquisition or Subsequent Acquisition Transaction, if the Minimum Tender Condition is satisfied, in accordance with the foregoing, rather than seeking Unitholder approval at a special meeting of the Unitholders called for such purpose, the Filer intends to rely on Section 11.10 of the Declaration of Trust, which would permit the special resolutions to be approved in writing by Unitholders holding not less than 66 2/3% of the issued and outstanding Units.

14. A Compulsory Acquisition or a Subsequent Acquisition Transaction would be a "business combination" under MI 61-101.

15. To effect either a Compulsory Acquisition or Subsequent Acquisition Transaction, the Filer will comply with the provisions of MI 61-101 and, specifically, will obtain minority approval (as that term is defined in MI 61-101) in accordance with the terms of Part 8 MI 61-101 ("**Minority Approval**") by Written Resolution rather than at a meeting if Unitholders.

16. The Bid Circular contains all disclosure required by applicable Legislation, including without limitation, the take-over bid provisions and form requirements of the Legislation, including the provisions of MI 61-101 relating to the disclosure required to be included in a disclosure document for a formal bid in respect of a second-step business combination.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that Minority Approval shall have been obtained by Written Resolution.

"Naizam Kanji"
Manager
Ontario Securities Commission

2.1.3 Hewlett-Packard Company

Headnote

Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief from registration and prospectus requirements for trades in common shares of the filer in connection with the exercise of certain options - options were granted to employees of another company - the parent of that company and the filer merged and the filer assumed the outstanding and unvested options - exemptions in National Instrument 45-106 Prospectus and Registration Exemptions (NI 45-106) are not available as the options were not issued by the filer and not all option holders are current employees of the filer.

Relief from the registration requirement for first trades in the common shares issued upon the exercise of the options - the exemption in s. 2.28 of NI 45-106 is not available as the filer is a reporting issuer in Quebec as a result of a previous merger transaction - the filer has a de minimis presence in Canada - all trades must be made through an exchange, or a market, outside of Canada or to a person or company outside of Canada.

Statutes Cited

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

Instruments Cited

National Instrument 45-102 Resale of Securities.
National Instrument 45-106 Prospectus and Registration Exemptions.

September 19, 2008

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the Jurisdiction)

AND

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

AND

IN THE MATTER OF
HEWLETT-PACKARD COMPANY
(the Filer)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer for a decision under the securities legislation of the Jurisdiction (the **Legislation**) that:

(a) the dealer registration requirement and the prospectus requirement do not apply to a trade by the Filer in common shares of the Filer (**Common Shares**) to EDS Option Holders (as defined below), or their legal representatives or permitted transferees, in accordance with the terms and conditions of the EDS Options (as defined below) (the **Exercise Requested Relief**); and

(b) the dealer registration requirement does not apply to the first trade in the Common Shares issued upon the exercise of the EDS Options (the **First Trade Registration Relief**) (the Exercise Requested Relief and the First Trade Registration Relief, collectively, the **Exemption Sought**).

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

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

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied on in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec and Nova Scotia (with Ontario, the **Jurisdictions**).

Interpretation

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

Representations

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

1. The Filer is a corporation incorporated under the laws of Delaware and is not a reporting issuer in any jurisdiction in Canada except Quebec. The Filer is subject to the reporting requirements of the Securities Exchange Act of 1934.

2. The authorized share capital of the Filer consists of 9,600,000,000 Common Shares with a par value of US$0.01 each and 300,000,000 shares of preferred stock with a par value of US$0.01 each. As at May 31, 2008 there were 2,466,191,046 Common Shares and no shares of preferred stock of the Filer issued and outstanding.

3. The Common Shares are listed on the New York Stock Exchange.

4. As at May 31, 2008, residents of Canada did not own, directly or indirectly, more than 10 percent of the outstanding Common Shares and did not represent in number more than 10 percent of the total number of owners, directly or indirectly, of Common Shares.

5. Hewlett Packard (Canada) Ltd. (**HP Canada**), a wholly-owned subsidiary of the Filer is a corporation incorporated under the federal laws of Canada. HP Canada is not a reporting issuer in any jurisdiction in Canada and does not have any present intention of becoming a reporting issuer or its equivalent in any jurisdiction in Canada.

6. In Canada, the equity compensation plans that the Filer operates for the benefit of the employees of HP Canada are, among others, the HP 2004 Stock Incentive Plan, the HP 2000 Employee Stock Purchase Plan and the HP 2000 Stock Plan (all such existing plans collectively, the **Existing HP Plans**).

7. Electronic Data Systems Corporation (**EDS**) was a corporation incorporated under the laws of the state of Delaware and was not a reporting issuer in any jurisdiction in Canada.

8. Immediately prior to the effective time of the Merger (as defined below), the authorized share capital of EDS consisted of 2,000,000,000 shares of common stock with a par value of US$0.01 per share and 200,000,000 shares of preferred stock with a par value of US$0.01 per share. As at June 24, 2008, there were 504,580,901 shares of common stock and no preferred stock of EDS issued and outstanding.

9. EDS Canada Inc. (**EDS Canada**) was a corporation incorporated under the laws of Canada and was not a reporting issuer in any jurisdiction in Canada. EDS Canada was a subsidiary of EDS.

10. EDS Advanced Solutions Inc. (**EDS Advanced Solutions**) was a corporation incorporated under the laws of British Columbia and was not a reporting issuer in any jurisdiction in Canada. EDS Advanced Solutions was a subsidiary of EDS Canada.

11. The Filer and EDS, together with Hawk Merger Corporation (**Hawk**), a Delaware corporation and wholly-owned subsidiary of the Filer, entered into an agreement and plan of merger dated as of May 13, 2008 (the **Merger Agreement**), pursuant to which, subject to certain terms and conditions, Hawk would merge with and into EDS and each outstanding share of common stock of EDS would be converted into the right to receive US$25.00 in cash (the **Tender Offer**).

12. Upon the fulfilment of the terms and conditions in the Merger Agreement, including the completion of the Tender Offer, on August 26, 2008 Hawk and EDS merged to form a wholly-owned subsidiary of the Filer (the **Merger**).

13. At the effective time of the Merger, without issuing any new options or restricted stock units to EDS

Canada or EDS Advanced Solutions employees under any EDS option plans, the Filer assumed the outstanding vested and unvested options and restricted stock units (collectively, the **Assumed Options**) previously awarded by EDS to EDS Canada and EDS Advanced Solutions employees resident in the Jurisdictions under the 1996 Incentive Plan of EDS, the Global Share Plan 2000 Nonqualified Stock Option Plan of EDS, the Amended and Restated 2003 Incentive Plan of EDS (the **2003 EDS Plan**) and the Transition Inducement Plan of EDS (collectively, the **EDS Plans**) and, pursuant to such assumption, the Assumed Options became options and restricted stock units for Common Shares.

14. The number of Common Shares issuable upon the exercise of each Assumed Option and the exercise price per share under each Assumed Option were calculated according to a predetermined formula as set out in the Merger Agreement. The duration and other material terms of each Assumed Option are the same as they existed immediately prior to the effective time of the Merger.

15. As of the closing of the Merger on August 26, 2008, there are approximately 354 holders of Assumed Options in Canada holding Assumed Options exercisable for 485,953 Common Shares.

16. Following the Merger, the only EDS Plan under which options will continue to be issued is the EDS 2003 Plan. The options that will be issued under the EDS 2003 Plan following the Merger (together with the Assumed Options, the **EDS Options**) will be options for Common Shares.

17. The current agent for the EDS Plans is BNY Mellon (the **Agent**). Following the Merger, the Filer intends to continue to use the services of the Agent in connection with the EDS Plans. The Agent is, and if replaced will be, a corporation, or corporations, registered under applicable U.S. securities legislation to trade in securities and has, or have, been authorized to provide services under the EDS Plans.

18. Subject to the discretion of the applicable plan administrator to permit transfers to permitted transferees in accordance with the terms of the EDS Plans and applicable securities laws, the EDS Options will not be transferable otherwise than by will or the laws of descent and distribution.

19. All of the disclosure documentation made available to the Filer's employees resident in the United States who receive options under the Existing HP Plans will be made available to holders of EDS Options resident in the Jurisdictions (the **EDS Option Holders**).

20. Participation in the EDS Plans is voluntary and the EDS Option Holders will not be induced to continue to participate in the EDS Plans or acquire Common Shares under the EDS Plans by expectation of employment or continued employment.

21. Because there is no market for the Common Shares in Canada and none is expected to develop, any trades of the Common Shares by the EDS Option Holders, their legal representatives or permitted transferees or the Agent will be effected through the facilities of and in accordance with the rules of an exchange or market outside of Canada on which the Common Shares are traded.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted provided that:

1. In respect of the Exercise Requested Relief, the first trade in the Common Shares issued upon the exercise of each EDS Option is deemed to be a distribution unless the following conditions are satisfied:

   (a) at the time of the issuance of the Common Shares upon the exercise of the EDS Option (the **Exercise Time**), the Filer is not a reporting issuer in any jurisdiction of Canada except Quebec;

   (b) at the Exercise Time, after giving effect to the issuance of the Common Shares and any other Common Shares that were issued at the same time as or as part of the same distribution, residents of Canada:

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

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

   (c) the trade is made:

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

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

2. In respect of the First Trade Registration Relief, the conditions set out in subparagraphs (a), (b) and (c) of paragraph 1 above are satisfied.

"Paul K. Bates"
Commissioner
Ontario Securities Commission

"Paulette Kennedy"
Commissioner
Ontario Securities Commission

2.1.4 Cassiar Gold Corp. (formerly, Cusac Gold Mines Ltd.) - s. 1(10)(b)

Headnote

Order pursuant to subsection 1(10)(b) of the Securities Act (Ontario) - Application by a reporting issuer for an order that it is not a reporting issuer in Ontario - Requested relief granted.

Ontario Statutes

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

September 17, 2008

Lang Michener LLP
1500-1055 West Georgia Street
P.O. Box 11117
Vancouver, British Columbia
V6E 4N7

Attention: James Munro

Dear Sir:

Re: Cassiar Gold Corp. (formerly, Cusac Gold Mines Ltd.) (the "Applicant") - Application for an order under clause 1(10)(b) of the Securities Act (Ontario) (the "Act") that the Applicant is not a reporting issuer

The Applicant has applied to the Ontario Securities Commission for an order under clause 1(10)(b) of the Act that the Applicant is not a reporting issuer.

As the Applicant has represented to the Commission that:

(a) The outstanding securities of the Applicant, including debt securities are beneficially owned, directly or indirectly, by less than 15 security holders in Ontario and less than 51 security holders in Canada;

(b) No securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

(c) The Applicant is not in default of any of its obligations under the Act as a reporting issuer; and

(d) 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 not a reporting issuer.

"Michael Brown"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.2 Orders

2.2.1 New Life Capital Corp. et al. - s. 127

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

AND

IN THE MATTER OF
NEW LIFE CAPITAL CORP.,
NEW LIFE CAPITAL INVESTMENTS INC.,
NEW LIFE CAPITAL ADVANTAGE INC.,
NEW LIFE CAPITAL STRATEGIES INC.,
1660690 ONTARIO LTD., L. JEFFREY POGACHAR,
PAOLA LOMBARDI AND ALAN S. PRICE

ORDER
(Section 127)

WHEREAS the Ontario Securities Commission (the "Commission") issued a temporary cease trade order on August 6, 2008 (the "Temporary Order") in respect of New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., L. Jeffrey Pogachar ("Pogachar"), Paola Lombardi ("Lombardi") and Alan S. Price ("Price") (collectively, the "Respondents");

AND WHEREAS the Temporary Order ordered that (1) pursuant to clause 2 of section 127(1) and section 127(5) of the Act, trading in securities of and by the Respondents shall cease; (2) pursuant to clause 3 of section 127(1) and section 127(5) of the Act, any exemptions contained in Ontario securities law not do not apply to any of the Respondents; and (3) the Order shall not prevent or prohibit any future payments in the way of premiums owing from time to time in respect of insurance policies which were purchased by the Respondents on or before the date of the Order;

AND WHEREAS the Commission further ordered that the Temporary Order is continued until the hearing scheduled for August 21, 2008;

AND WHEREAS the Commission issued a Direction on August 6, 2008 to TD Canada Trust, Branch 2492 in Grimsby, Ontario directing TD Canada Trust to retain all funds, securities or property on deposit in the names or under the control of New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc. and/or 1660690 Ontario Ltd. (the "Direction");

AND WHEREAS the Commission varied the Direction on August 11, 2008 to permit the release of $87,743.54 from the funds that are the subject of the Direction for the purpose of certain immediate and urgent expenses (the "Varied Direction");

AND WHEREAS on August 12, 2008 the Ontario Superior Court of Justice ordered that the Varied Direction, as varied or revoked by the Commission, is continued until final resolution of this matter by the Commission or further order of the Court;

AND WHEREAS on August 15, 2008, the Commission ordered the following exemptions to the Temporary Order: (1) Pogachar, Lombardi and Price may each hold one account to trade securities; (2) each account must be held with a registered dealer to whom this Order and any preceding Orders in this matter must be given at the time of opening the account or before any trading occurs in the account; and (3) the only securities that may be traded in each account are: (a) those listed and posted for trading on the TSX, TSX Venture Exchange, Bourse de Montreal or New York Stock Exchange; (b) those issued by a mutual fund which is a reporting issuer; or (c) a fixed income security;

AND WHEREAS the Respondents are represented by counsel and have been served with the Temporary Order, the Notice of Hearing dated August 7, 2008, the Statement of Allegations dated August 7, 2008 and the Affidavit of Stephanie Collins sworn August 7, 2008 (the "Collins Affidavit");

AND WHEREAS Staff of the Commission ("Staff") have filed the Collins Affidavit in support of Staff's request to extend the Temporary Order;

AND WHEREAS Staff and the Respondents requested an adjournment to permit Staff to continue the investigation and to permit the Respondents to respond to the Statement of Allegations dated August 7, 2008;

AND WHEREAS on August 21, 2008, Staff and counsel for the Respondents appeared before the Commission;

AND WHEREAS on August 21, 2008, the Commission ordered that the Temporary Order is continued until September 22, 2008 and that this hearing is adjourned to September 19, 2008, at 2:30 p.m.;

AND WHEREAS the Respondents have requested a variance to the Direction to permit outstanding expenses to be paid and additional expenses to be paid going forward and Staff are prepared at this time to consent to the Respondents' request but only with respect to certain outstanding expenses and certain minimal expenses to be paid going forward (the "Consent Expenses");

AND WHEREAS the Respondents are only moving today to seek a variance with respect to the Consent Expenses;

AND WHEREAS Staff have delivered to counsel for the Respondents and have filed a Supplementary Affidavit of Stephanie Collins sworn September 19, 2008 detailing the expenses included in the variance requested by the Respondents and consented to by Staff;

AND WHEREAS Staff and the Respondents have requested a further adjournment to permit Staff to continue

the investigation and to permit the Respondents to respond to the Statement of Allegations dated August 7, 2008;

IT IS ORDERED that the Direction is varied in the form attached as Schedule "A" to this Order to permit the release of $46,891.35.

IT IS FURTHER ORDERED that the Temporary Order is continued until October 15, 2008, and the hearing is adjourned to October 14, 2008 at 2:30 p.m., or such other date as is agreed by Staff and the Respondents and determined by the Office of the Secretary.

DATED at Toronto this 19th day of September, 2008.

"Wendell S. Wigle"

"Suresh Thakrar"

SCHEDULE 'A'

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

AND

IN THE MATTER OF
NEW LIFE CAPITAL CORP.,
NEW LIFE CAPITAL INVESTMENTS INC.,
NEW LIFE CAPITAL ADVANTAGE INC.,
NEW LIFE CAPITAL STRATEGIES INC.,
AND 1660690 ONTARIO LTD.

SECOND VARIED DIRECTION
Section 126(1)(a), (7)

TO: **The Manager**
TD Canada Trust
Branch 2492
20 Main Street East
Grimsby, Ontario
L3M 1M9
ph. 905-945-9256

TAKE NOTICE THAT pursuant to paragraph 126(1)(a) of the *Securities Act*, R.S.O. 1990, c. S.5 (the "Act") you are directed to retain under your control for safekeeping all funds, securities or property which you may have on deposit in accounts in the name of or under the control of New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc. and/or 1660690 Ontario Ltd. (collectively the "Respondents") including those bearing account numbers:

7302679	7302830	7302687
5209755	5209747	5209496
5209771	5208406	5209763

and hold them until the Ontario Securities Commission in writing revokes or varies this Direction or consents to release a particular fund, security or property from this Direction or until the Ontario Superior Court of Justice orders otherwise, except that you may release a total of $46,891.35 from the funds, securities or property at the request of the Respondents. This Second Varied Direction is further to the Varied Direction dated August 11, 2008, which authorized the release of $87,743.54.

AND TAKE FURTHER NOTICE THAT this Direction applies to any and all funds, securities or property in a recognized clearing agency and to any and all securities in the process of transfer by a transfer agent.

AND TAKE FURTHER NOTICE THAT this Direction may be served by fax or courier to the last known address of the parties named in this Direction in the records of TD Canada Trust.

DATED at Toronto this 19th day of September, 2008, as varying this Direction first dated August 6th and varied on August 11th, 2008.

"Wendell S. Wigle"

"Suresh Thakrar"

2.2.2 XI Biofuels Inc. et al. - s. 127

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

AND

IN THE MATTER OF
XI BIOFUELS INC., BIOMAXX SYSTEMS INC.,
RONALD DAVID CROWE AND VERNON P. SMITH

AND

IN THE MATTER OF
XIIVA HOLDINGS INC. CARRYING ON BUSINESS
AS XIIVA HOLDINGS INC., XI ENERGY COMPANY,
XI ENERGY AND XI BIOFUELS

ORDER
Section 127

WHEREAS on November 22, 2007, the Ontario Securities Commission (the "Commission") issued a Temporary Order pursuant to subsections 127(1) and (5) of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act") that all trading by XI Biofuels Inc. ("XI") and Biomaxx Systems Inc. ("Biomaxx") shall cease, that XI, Biomaxx, Ronald David Crowe ("Crowe") and Vernon P. Smith ("Smith") (the "XI Respondents") cease trading in all securities and that the exemptions contained in Ontario securities law do not apply to these Respondents (the "XI Temporary Order");

AND WHEREAS on December 14, 2007, the Commission issued a Temporary Order (the "Xiiva Temporary Order") pursuant to subsections 127(1) and (5) of the Act that all trading in securities of Xiiva Holdings Inc. ("Xiiva"), incorrectly described at paragraph 1 of the Xiiva Temporary Order as XI Holdings Inc., shall cease and that the exemptions contained in Ontario securities law do not apply to it;

AND WHEREAS the Commission issued Notices of Hearing to consider, among other things, the extension of the XI Temporary Order (the "XI Hearing") and the Xiiva Temporary Order (the "Xiiva Hearing");

AND WHEREAS the Temporary Orders were extended and the XI Hearing and the Xiiva Hearing (collectively, the "Hearings") were adjourned from time to time;

AND WHEREAS the Hearings were heard by the Commission on June 20, 2008 and orders were made by the Commission extending the Temporary Orders to September 22, 2008 and adjourning the Hearings for the extension of the Temporary Orders beyond September 22, 2008 to September 19, 2008;

AND WHEREAS the corporate Respondents were petitioned into bankruptcy on or about May 21, 2008 (the "bankruptcy");

AND WHEREAS Staff of the Commission and the trustee in bankruptcy for the corporate Respondents (the "Trustee") have agreed to a hearing date of October 17, 2008 with the Commercial List of the Superior Court of Justice of Ontario regarding the bankruptcy at which time Staff of the Commission anticipate bringing a motion for advice and directions in relation to the bankruptcy;

AND WHEREAS Staff of the Commission, the individual Respondents and the Trustee consent to adjourn the Hearings to a date following the October 17, 2008 hearing before the Commercial List and have agreed on a date of October 21, 2008 and to extend the Temporary Orders to October 22, 2008, without prejudice to any arguments which the individual Respondents or the Trustee may raise as a consequence thereof;

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

IT IS ORDERED that the Temporary Orders are extended to October 22, 2008;

IT IS FURTHER ORDERED that the Hearings for the extension of the Temporary Orders beyond October 22, 2008 are adjourned to October 21, 2008 at10:00 a.m.

DATED at Toronto this 19th day of September, 2008.

"Patrick LeSage"

"Wendell S. Wigle"

"David L. Knight"

2.2.3 In the Matter of Certain Financial Sector Issuers Set Forth on Schedule A - ss. 127(1), (2) and (5)

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

AND

IN THE MATTER OF
CERTAIN FINANCIAL SECTOR ISSUERS
set forth on Schedule A attached

TEMPORARY ORDER
(Sections 127(1), (2) and (5))

WHEREAS it appears to the Ontario Securities Commission (the Commission) that:

1. On September 18, 2008, the United States Securities and Exchange Commission (SEC) issued an order pursuant to section 12(k)(2) of the *Securities Exchange Act* of 1934 (the SEC Order) that "all persons are prohibited from short selling [as defined in the SEC Order] any publicly traded securities" of a defined list of financial firms, subject to certain exceptions;

2. Attached as Schedule A is a list of financial sector issuers that (a) are listed on the Toronto Stock Exchange (TSX) and are reporting issuers in Ontario; and (b) are interlisted in the United States or, in the case of one issuer, has outstanding securities that are interchangeable into securities of a financial firm listed in the SEC Order (the Financial Sector Issuers). Most of the Financial Sector Issuers are subject to the SEC Order; and

3. This order is being issued as a precautionary matter to prevent regulatory arbitrage with respect to short selling in Ontario of the securities of the Financial Sector Issuers and to promote fair and orderly markets in Ontario for the Financial Sector Issuers. Accordingly, it is in the public interest to temporarily prohibit any short sale (as defined in section 1.1 of the Investment Industry Regulatory Organization of Canada's Universal Market Integrity Rules (UMIR) which is attached as Schedule B) in the securities of the Financial Sector Issuers;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order and that the time required to conclude a hearing could be prejudicial to the public interest;

IT IS ORDERED pursuant to subsections 127(1), (2) and (5) of the Act that trading that constitutes a short sale (as defined in Schedule B) in the securities of the Financial Sector Issuers is hereby prohibited, unless the short sale is:

(i) conducted in accordance with UMIR Rule 3.1 Restrictions on Short Selling, sections 2(a), (b), and (d);

(ii) conducted in order to comply with UMIR Rule 5.2 Best Price Obligation; or

(iii) conducted by a person or company as a result of the automatic exercise or assignment of an equity option held prior to the effectiveness of this order due to expiration of the option; and

IT IS FURTHER ORDERED that pursuant to section 127(6) of the Act this order shall take effect immediately and shall expire on October 3, 2008, unless extended by order of the Commission.

DATED at Toronto this 19th day of September, 2008.

"James E. A. Turner"

"Suresh Thakrar"

Schedule A

List of Financial Sector Issuers

Name	Root Ticker
Aberdeen Asia-Pacific Income Investment Company Ltd.	FAP
Bank of Montreal	BMO
Bank of Nova Scotia (The)	BNS
Canadian Imperial Bank of Commerce	CM
Fairfax Financial Holdings Limited	FFH
Kingsway Financial Services Inc.	KFS
Manulife Financial Corporation	MFC
Quest Capital Corp.	QC
Royal Bank of Canada	RY
Sun Life Financial Inc.	SLF
Thomas Weisel Partners Group Inc.	TWP
Toronto-Dominion Bank (The)	TD
Merrill Lynch & Co., Canada Ltd.[1]	MLC

[1] This company is not interlisted in the US. However, it is included on this list because its securities are interchangeable into securities of Merrill Lynch & Co. Inc. (listed in the US), which is subject to the SEC Order.

Schedule B

"short sale" means a sale of a security, other than a derivative instrument, which the seller does not own either directly or through an agent or trustee and, for this purpose, a seller shall be considered to own a security if the seller:

(a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security;

(b) has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;

(c) has an option to purchase the security and has exercised the option;

(d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or

(e) is making a sale of a security that trades on a when issued basis and the seller has entered into a contract to purchase such security which is binding on both parties and subject only to the condition of issuance of distribution of the security,

but a seller shall be considered not to own a security if:

(f) the seller has borrowed the security to be delivered on the settlement of the trade and the seller is not otherwise considered to own the security in accordance with this definition;

(g) the security held by the seller is subject to any restriction on sale imposed by applicable securities legislation or by an Exchange or QTRS as a condition of the listing or quoting of the security; or

(h) the settlement date or issuance date pursuant to:

(i) an unconditional contract to purchase,

(ii) a tender of a security for conversion or exchange,

(iii) an exercise of an option, or

(iv) an exercise of a right or warrant

would, in the ordinary course, be after the date for settlement of the sale.

Terms used in this schedule that are defined in UMIR have the meaning ascribed to them in UMIR.

2.2.4 In the Matter of Certain Financial Sector Issuers Set Forth on Schedule A - ss. 127(1), (2), (5) and 144(1)

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

AND

IN THE MATTER OF
CERTAIN FINANCIAL SECTOR ISSUERS
set forth on Schedule A attached

ORDER
(Subsections 127(1), (2) and (5) and 144(1) of the Act)

WHEREAS on September 19, 2008 the Ontario Securities Commission (the Commission) issued a temporary order with respect to the Financial Sector Issuers set forth on Schedule A pursuant to subsections 127(1), (2) and (5) of the Act (the Original Order), in support of an order made by the United States Securities and Exchange Commission (SEC) on September 18, 2008 (the "SEC Order");

AND WHEREAS on September 21, 2008, the SEC issued an amendment to the SEC Order (the "SEC Amending Order") to address current and anticipated technical and operational concerns resulting from the requirements of the SEC Order;

AND WHEREAS the Executive Director has applied to the Commission to vary and restate the Original Order to support the changes made by the SEC Amending Order and to address certain other technical and operational concerns;

AND WHEREAS the Commission has determined that it is not prejudicial to the public interest to issue an order that varies and restates the Original Order;

IT IS ORDERED, pursuant to subsection 144(1) of the Act, that the Original Order be varied and restated as follows:

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

AND

IN THE MATTER OF
CERTAIN FINANCIAL SECTOR ISSUERS
set forth on Schedule A attached

TEMPORARY ORDER
(Subsections 127(1), (2) and (5))

WHEREAS it appears to the Ontario Securities Commission (the Commission) that:

1. On September 18, 2008, the United States Securities and Exchange Commission (SEC) issued an order pursuant to section 12(k)(2) of the *Securities Exchange Act* of 1934 (the SEC Order), as amended on September 21, 2008, that "all persons are prohibited from short selling [as defined in the SEC Order] any publicly traded common equity securities" of a defined list of financial firms, subject to certain exceptions;

2. Attached as Schedule A is a list of financial sector issuers that (a) are listed on the Toronto Stock Exchange (TSX) and are reporting issuers in Ontario; and (b) are interlisted in the United States or, in the case of one issuer, has outstanding securities that are exchangeable into securities of a financial firm listed in the SEC Order (the Financial Sector Issuers). Most of the Financial Sector Issuers are subject to the SEC Order; and

3. This order is being issued as a precautionary matter to prevent regulatory arbitrage with respect to short selling in Ontario of the securities of the Financial Sector Issuers and to promote fair and orderly markets in Ontario for the Financial Sector Issuers. Accordingly, it is in the public interest to temporarily prohibit any short sale (as defined in section 1.1 of the Investment Industry Regulatory Organization of Canada's Universal Market Integrity Rules (UMIR) which is attached as Schedule B) in the securities of the Financial Sector Issuers;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order and that the time required to conclude a hearing could be prejudicial to the public interest;

IT IS ORDERED pursuant to subsections 127(1), (2) and (5) of the Act that trading that constitutes a short sale (as defined in Schedule B) in the common equity securities of the Financial Sector Issuers is hereby prohibited, unless the short sale is:

(i) conducted in accordance with UMIR Rule 3.1 *Restrictions on Short Selling*, sections 2(a), (b), (d) and (g); provided, however, a dealer fulfilling market maker obligations (market maker) may not effect a short sale in the common equity securities of the Financial Sector Issuers if the market maker ought reasonably to know that the client's or counterparty's transaction will result in the client or counterparty establishing or increasing an economic net short position (i.e. through actual positions, derivatives, or otherwise) in the issued share capital of a Financial Sector Issuer covered by this Order;

(ii) conducted by a registered dealer acting as principal to facilitate a transaction with a client that has a current market value of $200,000 or more in a single transaction, or in several transactions at approximately the same time, provided that the position is liquidated or hedged as soon as possible.

(iii) conducted in order to comply with UMIR Rule 5.2 *Best Price Obligation*;

(iv) conducted by a person or company as a result of the automatic exercise or assignment of an equity option, or in connection with settlement of a futures contract, held prior to the effectiveness of this order due to expiration of the option or futures contract;

(v) a sale of a security identified in paragraph (g) of Schedule B, where the security is beneficially owned by the seller and the sale is made under an exemption from the prospectus requirements in accordance with applicable securities legislation; or

(vi) conducted to adjust a pre-existing hedged derivative position in order to maintain the risk exposure that existed at the time the Original Order became effective; and

IT IS FURTHER ORDERED that pursuant to section 127(6) of the Act this order shall take effect immediately and shall expire on October 3, 2008, unless extended by order of the Commission.

DATED at Toronto this 22nd day of September, 2008.

"James E. A. Turner"

"Lawrence Ritchie"

Schedule A

List of Financial Sector Issuers

Name	Root Ticker
Aberdeen Asia-Pacific Income Investment Company Ltd.	FAP
Bank of Montreal	BMO
Bank of Nova Scotia (The)	BNS
Canadian Imperial Bank of Commerce	CM
Fairfax Financial Holdings Limited	FFH
Kingsway Financial Services Inc.	KFS
Manulife Financial Corporation	MFC
Quest Capital Corp.	QC
Royal Bank of Canada	RY
Sun Life Financial Inc.	SLF
Thomas Weisel Partners Group Inc.	TWP
Toronto-Dominion Bank (The)	TD
Merrill Lynch & Co., Canada Ltd.[1]	MLC

[1] This company is not interlisted in the US. However, it is included on this list because its securities are interchangeable into securities of Merrill Lynch & Co. Inc. (listed in the US), which is subject to the SEC Order.

Schedule B

"short sale" means a sale of a security, other than a derivative instrument, which the seller does not own either directly or through an agent or trustee and, for this purpose, a seller shall be considered to own a security if the seller:

(a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security;

(b) has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;

(c) has an option to purchase the security and has exercised the option;

(d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or

(e) is making a sale of a security that trades on a when issued basis and the seller has entered into a contract to purchase such security which is binding on both parties and subject only to the condition of issuance of distribution of the security,

but a seller shall be considered not to own a security if:

(f) the seller has borrowed the security to be delivered on the settlement of the trade and the seller is not otherwise considered to own the security in accordance with this definition;

(g) the security held by the seller is subject to any restriction on sale imposed by applicable securities legislation or by an Exchange or QTRS as a condition of the listing or quoting of the security; or

(h) the settlement date or issuance date pursuant to:

(i) an unconditional contract to purchase,

(ii) a tender of a security for conversion or exchange,

(iii) an exercise of an option, or

(iv) an exercise of a right or warrant

would, in the ordinary course, be after the date for settlement of the sale.

Terms used in this schedule that are defined in UMIR have the meaning ascribed to them in UMIR.

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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
Impatica Inc.	10 Sept 08	22 Sept 08	22 Sept 08	
Kolombo Technologies Ltd.	08 Sept 08	19 Sept 08	19 Sept 08	

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

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

**** NOTHING TO REPORT THIS WEEK.**

4.2.2 Outstanding Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
CoolBrands International Inc.	30 Nov 06	13 Dec 06	13 Dec 06		
Hip Interactive Corp.	04 July 05	15 July 05	15 July 05		
T S Telecom Ltd.	31 July 08	13 Aug 08	13 Aug 08		
OceanLake Commerce Inc.	01 Aug 08	14 Aug 08	14 Aug 08		
EnGlobe Corp.	18 Aug 08	29 Aug 08	29 Aug 08		

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Chapter 5

Rules and Policies

5.1.1 Amendment to OSC Rule 31-502 Proficiency Requirements for Registrants

AMENDMENT TO
ONTARIO SECURITIES COMMISSION RULE 31-502
PROFICIENCY REQUIREMENTS FOR REGISTRANTS

PART 1 AMENDMENT TO RULE 31-502

1.1 Amendment – Section 2.1(2) of Ontario Securities Commission Rule 31-502 *Proficiency Requirements for Registrants* is amended by:

(a) replacing the wording of subsection (2)(a) with: "completed the Wealth Management Essentials course before the registration was granted; or", and

(b) replacing the wording of subsection (2)(b) with: "before the end of the thirty month period, completed the Wealth Management Essentials course."

PART 2 EFFECTIVE DATE

2.1 Effective Date – This amendment comes into force on October 24, 2008.

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Chapter 7

Insider Reporting

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

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

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

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
08/27/2008	1	8.00% USD CASH SETTLED KICK-IN GOAL ON WORST OF DJ EURO STOXX 50, NIKKEI 225 / S&P 500 (QUANTO USD) EXPIRY 10 JULY 2009 - Units	57,391.29	55,000.00
09/10/2008	41	Abacus Mining & Exploration Corporation - Flow-Through Shares	3,450,199.80	11,500,666.00
02/29/2008	1	ABC Fundamental - Value Fund - Units	150,000.00	8,759.43
09/10/2008	13	Adroit Resources Inc. - Debentures	10,000,000.00	10,000,000.00
09/05/2008	2	African Gold Group, Inc. - Units	161,300.00	322,600.00
01/04/2005 to 12/28/2005	10	Alliance Global Research Growth Fund - Units	75,930,780.26	2,443,436.00
01/06/2005 to 12/28/2005	7	Alliance International Large Cap Growth Fund - Units	22,667,198.95	890,738.67
09/01/2007 to 01/01/2008	3	Argyle Funds SPC Inc. - Common Shares	273,509.37	27,350.94
07/01/2008	1	BlackRock Fixed Income Portable Alpha (Offshore) Fund - Units	152,955,000.00	150,000.00
09/02/2008	43	Card One Plus Ltd. - Special Warrants	3,830,000.00	7,660,000.00
08/27/2008	1	Carfinco Income Fund - Debentures	100,000.00	100,000.00
07/31/2008	15	Caza Gold Corp. - Units	280,000.00	2,800,000.00
04/29/2008	2	Consumer Staples Select Sector SPDR Fund - Units	1,484,600.00	52,000.00
04/14/2008 to 05/05/2008	2	CurrencyShares Euro Trust - Units	3,964,032.00	24,800.00
09/09/2008	1	Ecosynthetix Adhesives Inc. - Exchangeable Shares	1,064,700.00	55,633.00
04/07/2008 to 05/05/2008	4	Energy Select Sector SPDR Fund - Units	4,526,659.45	42,148.00
08/29/2008	4	Falcon Ridge RMH Limited Partnership - Limited Partnership Units	52,000.00	4.00
09/08/2008 to 09/12/2008	22	General Motors Acceptance Corporation of Canada, Limited - Notes	6,127,925.50	6,127,925.50
09/08/2008	44	Great Western Minerals Group Ltd. - Common Shares	2,197,500.00	8,790,000.00
09/11/2008	3	Infobright Inc. - Preferred Shares	9,433,962.00	9,433,962.00

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
09/08/2008	1	InoCom Inc. - Preferred Shares	250,312.00	331,010.00
08/28/2008 to 09/05/2008	13	International Water-Guard Industries Inc. - Common Shares	500,000.00	5,000,000.00
04/09/2008 to 04/14/2008	1	iShares Dow Jones Transportation Average Index Fund - Units	4,313,442.00	47,800.00
04/23/2008 to 04/29/2008	1	iShares Dow Jones US Real Estate Index Fund - Units	621,414.00	8,700.00
04/09/2008	1	iShares iBoxx Investment Grade Corporate Bond Fund - Units	1,020,194.50	9,455.00
04/09/2008	2	iShares Lehman Aggregate Bond Fund - Units	834,169.92	7,968.00
04/24/2008	1	iShares MSCI Hong Kong Index - Units	143,775.00	7,500.00
04/08/2008	1	iShares Nasdaq Biotechnology Index Fund - Units	1,428,633.00	18,100.00
04/16/2008	1	iShares Russell 1000 Value Index Fund - Units	169,602.00	2,300.00
04/04/2008 to 05/05/2008	6	iShares Russell 2000 Index Fund - Units	88,287,401.75	1,256,902.00
04/14/2008	1	iShares Silver Trust - Units	66,182.40	360.00
04/29/2008	1	iShares S&P 500 Index Fund/US - Units	17,218,116.00	121,700.00
04/14/2008	1	KBW Regional Banking ETF - Units	242,270.00	7,000.00
09/15/2008	4	Kingwest Avenue Portfolio - Units	110,500.00	4,030.86
08/31/2008	1	Kingwest U.S. Equity Portfolio - Units	14,975.64	1,142.35
09/09/2008	1	Lazard Ltd. - Common Shares	4,937,500.00	125,000.00
02/27/2008	1	Lund Gold Ltd. - Common Shares	74,000.00	400,000.00
04/04/2008	2	Market Vectors Agribusiness ETF - Units	830,426.00	15,200.00
04/14/2008 to 04/29/2008	2	Materials Select Sector SPDR - Units	5,100,974.00	117,200.00
09/08/2008	14	Metals Creek Resources Corp. - Flow-Through Units	389,700.00	2,165,000.00
09/08/2008	23	Metals Creek Resources Corp. - Non-Flow Through Units	176,187.00	1,174,583.00
04/16/2008	1	Midcap SPDR Trust Series 1 - Units	145,670.00	1,000.00
09/12/2008	1	MODASolutions Corporation - Exchangeable Shares	2,307,922.69	2,065,159.00
09/10/2008	34	Mondial Energy Inc. - Units	727,812.50	582,250.00
08/29/2008	1	Nearctic Nickel Mines Inc. - Debentures	1,000,000.00	1,000,000.00
09/04/2008 to 09/11/2008	8	Newport Canadian Equity Fund - Units	186,000.00	1,340.08

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
09/04/2008 to 09/11/2008	12	Newport Fixed Income Fund - Units	268,500.00	2,623.92
09/04/2008 to 09/11/2008	12	Newport Global Equity Fund - Units	167,182.28	2,387.86
09/04/2008 to 09/11/2008	32	Newport Yield Fund - Units	690,823.63	5,850.63
08/21/2008	4	Norcanex Resources Ltd. - Special Warrants	290,000.00	966,666.00
08/01/2008	1	OCP Debt Opportunity International Ltd. - Units	533,350.00	500.00
09/08/2008	1	Oncor Electric Delivery Company LLC - Notes	534,800.00	500,000.00
09/05/2008	8	Orbus Pharma Inc. - Warrants	NA	6,625,000.00
08/27/2008	1	Pacific Energy Resources Ltd. - Common Shares	NA	608.00
09/09/2008	1	Pacific & Western Credit Corp. - Notes	NA	NA
09/05/2008	17	Papuan Precious Metals Corp. - Common Shares	235,200.00	735,000.00
09/09/2008	1	Patrician Diamonds Inc. - Flow-Through Units	50,100.00	835,000.00
09/08/2008	2	Peregrine Diamonds Ltd. - Common Shares	2,812,395.71	5,306,407.00
04/29/2008	1	PowerShares DB US Dollar Index Bullish Fund - Units	916,800.00	40,000.00
09/04/2008	3	Prime City One Capital Corp. - Units	600,000.00	6,000,000.00
10/25/2006 to 09/10/2008	5	Romios Gold Resources Inc. - Common Shares	17,300.00	500,000.00
06/30/2008	2	Rupert Peace Power Corp. - Common Shares	660,000.00	1,200,000.00
07/30/2008	1	Sanfield Limited Partnership - Limited Partnership Units	310,621,726.92	23,897,104.00
07/30/2008	1	Sanfield Limited Partnership - Limited Partnership Units	27,072,419.60	3,174,952.21
07/30/2008	1	Sanfield Limited Partnership - Limited Partnership Units	64,709,144.73	13,386,483.10
07/30/2008	1	Sanfield Limited Partnership - Limited Partnership Units	120,376,681.84	16,606,658.00
01/04/2005 to 12/16/2005	2	Sanford C. Bernstein Canadian Value Equity Fund - Units	5,175,600.62	136,787.24
01/31/2005 to 05/31/2005	1	Sanford C. Bernstein Core Plus Bond Fund - Units	747,604.30	29,179.73
05/11/2005 to 12/20/2005	4	Sanford C. Bernstein Global Blend Equity Fund - Units	51,354,043.00	1,956,593.66
01/26/2005 to 12/30/2005	9	Sanford C. Bernstein Global Equity Fund (Tax Exempt) - Units	129,355,683.38	4,549,003.16

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
01/04/2005 to 12/29/2005	13	Sanford C. Bernstein International Equity (Cap-Weighted, Unhedged) Fund - Units	104,214,810.09	3,456,810.93
01/03/2006 to 12/27/2006	7	Sanford C. Bernstein U.S. Diversified Value Equity Fund (Tax Exempt) - Units	15,720,761.76	596,413.80
09/12/2008	1	Scandinavian Metals Inc. - Units	1,000,000.00	2,000,000.00
09/04/2008	33	Solid Resources Ltd. - Common Shares	311,905.00	2,079,367.00
04/04/2008 to 05/05/2008	6	SPDR Gold Trust - Units	10,583,009.35	116,178.00
04/21/2008 to 04/29/2008	3	SPDR S&P Homebuilders ETF - Units	2,773,974.65	123,005.00
04/07/2008 to 04/29/2008	8	SPDR S&P Retail ETF - Units	45,528,497.00	1,392,300.00
08/29/2008	71	Sunrise Estates (Phase 2 Redwater) Limited Partnership - Limited Partnership Units	3,579,000.00	121.00
09/18/2008	1	Takara Resources Inc. - Common Shares	14,000.00	100,000.00
04/04/2008	2	Technology Select Sector SPDR Fund - Units	3,116,239.75	132,325.00
09/10/2008	15	The Futura Loyalty Group Inc. - Units	520,000.00	10,400,000.00
09/12/2008	20	TLC Explorations Inc. - Units	273,000.00	182,000.00
09/05/2008	5	TTi Turner Technology Instruments Inc. - Common Shares	286,908.00	23,909.00
04/30/2008 to 05/05/2008	2	Ultra Financials ProShares - Units	1,941,790.00	56,500.00
04/29/2008 to 05/05/2008	1	Ultra QQQ Proshares - Units	1,443,676.00	17,200.00
04/08/2008	1	UltraShort Financials ProShares - Units	5,289,000.00	50,000.00
04/23/2008 to 04/30/2008	3	Ultrashort Oil & Gas Proshares - Units	2,807,823.00	90,000.00
04/14/2008 to 05/02/2008	1	Ultrashort S&P500 Proshare - Units	6,633,100.00	110,000.00
04/04/2008	1	Ultrashort S&P500 Proshare - Units	433,070.00	6,200.00
08/29/2008	11	Ungava Mines Inc. - Units	164,250.00	1,095,000.00
04/10/2008 to 04/30/2008	2	United States Oil Fund LP - Units	7,019,480.00	78,415.00
04/10/2008 to 04/21/2008	2	Vanguard European ETF - Units	759,026.00	10,600.00
07/09/2008	2	Verdant Financial Partners I Inc. - Common Shares	1,100,000.00	1,100,000.00
08/31/2008	66	Vertex Fund - Trust Units	4,194,186.32	380,046.60
09/11/2008	16	Vesta Capital Corp. - Common Shares	500,600.00	2,503,000.00

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
09/09/2008	7	Viking Gold Exploration Inc. - Units	140,070.00	1,218,000.00
09/09/2008	12	Viva Source Corp. - Special Warrants	321,000.00	535,000.00
08/31/2008	20	Vortaloptics, Inc. - Common Shares	373,843.70	473,726.00
08/29/2008	6	Wabamun Lakeview Estates Limited Partnership - Limited Partnership Units	351,000.00	9.00
09/11/2008	2	Win-Eldrich Mines Limited - Units	49,999.75	66,666.00
09/04/2008	11	Xtreme Science Products Inc. - Common Shares	286,284.75	381,713.00
08/29/2008	9	ZZZ Capital Corp. - Common Shares	115,000.00	575,000.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
(Series A and Series I Securities) of:
BMO LifeStage Plus 2017 Fund
BMO India Class
BMO Sustainable Opportunities Class
BMO Global Energy Class
BMO Sustainable Climate Class
BMO International Value Class
(Series A, Series I and Series T6 Securities) of:
BMO SelectClass Security Portfolio
BMO SelectClass Balanced Portfolio
BMO SelectClass Growth Portfolio
BMO SelectClass Aggressive Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated September 16, 2008
NP 11-202 Receipt dated September 18, 2008
Offering Price and Description:
Series A, I and T6 Securities
Underwriter(s) or Distributor(s):
BMO Investments Inc.
Promoter(s):
BMO Investments Inc.
Project #1322224

Issuer Name:
Catapult Energy 2008 FTS Limited Partnership
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated September 18, 2008
NP 11-202 Receipt dated September 19, 2008
Offering Price and Description:
$5,000,000.00 to $15,000,000.00 - 200,000 to 600,000 Limited Partnership Units Subscription Price: $25.00 per Limited Partnership Unit. Minimum Purchase: $5,000 - (200 Units)
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Blackmont Capital Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
GMP Securities L.P.
Promoter(s):
Catapult Energy 2008 Inc.
Aston Hill Financial Inc.
Project #1322724

Issuer Name:
GENIVAR Income Fund
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated September 18, 2008
NP 11-202 Receipt dated September 18, 2008
Offering Price and Description:
$34,999,997.50 - 1,391,650 Units Price: $25.15 per Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
National Bank Financial Inc.
Raymond James Ltd.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Blackmont Capital Inc.
Cormark Securities Inc.
Promoter(s):
-
Project #1322505

Issuer Name:
Global X Development Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated September 19, 2008
NP 11-202 Receipt dated September 19, 2008
Offering Price and Description:
$300,000.00 - 3,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
PI Financial Corp.
Promoter(s):
Marvin Bedward
Project #1322897

Issuer Name:
Pathway Quebec Mining 2008-II Flow-Through Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated September 16, 2008
NP 11-202 Receipt dated September 17, 2008
Offering Price and Description:
$10,000,000.00 (Maximum Offering); $2,500,000.00 (Minimum Offering) A Maximum of 1,000,000 and a Minimum of 250,000 Limited Partnership Units Minimum Subscription: 250 Limited Partnership Units
Subscription Price: $10.00 per Limited Partnership Unit
Underwriter(s) or Distributor(s):
Wellington West Capital Inc.
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Canaccord Capital Corporation
Laurentian Bank Securities Inc.
Industrial Alliance Securities Inc.
Dundee Securities Corporation
Promoter(s):
Pathway Quebec Mining 2008-II Inc.
Project #1321917

Issuer Name:
Russell Retirement Essentials Portfolio
Sovereign Diversified Monthly Income Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated September 22, 2008
NP 11-202 Receipt dated September 22, 2008
Offering Price and Description:
Series O and OS Units
Underwriter(s) or Distributor(s):
Russell Investments Canada Limited
Promoter(s):
-
Project #1323181

Issuer Name:
The Toronto-Dominion Bank
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Base Shelf Prospectus dated September 22, 2008
NP 11-202 Receipt dated September 23, 2008
Offering Price and Description:
$10,000,000,000.00:
Debt Securities (subordinated indebtedness)
Common Shares
Class A First Preferred Shares
Warrants to Purchase Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1323690

Issuer Name:
ACTIVEnergy Income Fund
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated September 17, 2008
NP 11-202 Receipt dated September 18, 2008
Offering Price and Description:
24,000,000 Rights to Subscribe for an aggregate of up to 8,000,000 Units Subscription Price: Three Rights and 7.50 per Unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1318706

Issuer Name:
Argonaut Capital Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated September 17, 2008
NP 11-202 Receipt dated September 18, 2008
Offering Price and Description:
$650,000.00 - 3,250,000 COMMON SHARES Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
-
Project #1305037

Issuer Name:
AXIOM BALANCED INCOME PORTFOLIO (Class A, Select Class, Elite Class, and Class F Units)
AXIOM DIVERSIFIED MONTHLY INCOME PORTFOLIO (Class A, Select Class, Elite Class, Class F Units, Class T6, Class T8, Select-T6 Class, Select-T8 Class, Elite-T6 Class, and Elite-T8 Class Units)
AXIOM BALANCED GROWTH PORTFOLIO (Class A, Select Class, Elite Class, and Class F Units)
AXIOM LONG-TERM GROWTH PORTFOLIO (Class A, Select Class, Elite Class, and Class F Units)
AXIOM CANADIAN GROWTH PORTFOLIO (Class A, Select Class, Elite Class, and Class F Units)
AXIOM GLOBAL GROWTH PORTFOLIO (Class A, Select Class, Elite Class, and Class F Units)
AXIOM FOREIGN GROWTH PORTFOLIO (Class A, Select Class, Elite Class, and Class F Units)
AXIOM ALL EQUITY PORTFOLIO (Class A, Select Class, Elite Class, and Class F Units)
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 15, 2008 to the Simplified Prospectuses and Annual Information Forms dated March 6, 2008
NP 11-202 Receipt dated September 18, 2008
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
CIBC Asset Management Inc.
Project #1204786

Issuer Name:
GHJ Capital Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated September 19, 2008
NP 11-202 Receipt dated September 23, 2008
Offering Price and Description:
MINIMUM OFFERING: $400,000.00 or 1,600,000 Common Shares; MAXIMUM OFFERING: $450,000.00 or 1,800,000 Common Shares PRICE: $0.25 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
-
Project #1295071

Issuer Name:
Hydrogenics Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Base Shelf Prospectus dated September 23, 2008
NP 11-202 Receipt dated September 23, 2008
Offering Price and Description:
US$50,000,000.00:
Common Shares
Preferred Shares
Debt Securities
Warrants
Share Purchase Contracts
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1321609

Issuer Name:
Sniper Resources Ltd.
Principal Regulator - British Columbia
Type and Date:
Second Amended and Restated Prospectus dated September 18, 2008 amending and restating the Amended and Restated Prospectus dated April 18, 2008
NP 11-202 Receipt dated September 23, 2008
Offering Price and Description:
$1,300,000.00 - 2,600,000 Shares Price: $0.50 per Share
Underwriter(s) or Distributor(s):
Leede Financial Markets Inc.
Promoter(s):
Scott Baxter
Project #1217920

Issuer Name:
Pantera Drilling Income Trust
Type and Date:
Rights Offering Circular dated September 17, 2008
Accepted September 22, 2008
Offering Price and Description:
A maximum of 1,686,277 Trust Units will be issuable pursuant to the Rights
Offering - $3.13 per Trust Unit.

Underwriter(s) or Distributor(s):

Promoter(s):
-
Project #1309043

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: OTG Financial Inc. To: Educators Financial Group Inc.	Mutual Fund Dealer	September 15, 2008
Change of Category	Tonus Capital Inc.	From: Extra-Provincial Adviser (Investment Counsel & Portfolio Manager) To: Extra-Provincial Adviser (Investment Counsel & Portfolio Manager) and Limited Market Dealer	September 18, 2008

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 Housekeeping Amendments to MFDA Policy No. 4 – Internal Control Policy Statements and MFDA Financial Questionnaire and Report – Form 1

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO MFDA POLICY NO. 4

INTERNAL CONTROL POLICY STATEMENTS

AND

MFDA FINANCIAL QUESTIONNAIRE AND REPORT – FORM 1

Current Requirements

MFDA Policy No. 4 *Internal Control Policy Statements* prescribes requirements and provides guidance on compliance with MFDA Rule 2.9, which requires that Members establish and maintain internal controls as prescribed by the MFDA from time to time.

MFDA Financial Questionnaire and Report ("FQR") – Form 1 is the prescribed form for Members to file their financial statements with the MFDA in accordance with Rule 3.5.1.

Reasons for Amendments

MFDA Policy No. 4 *Internal Control Policy Statements* was drafted before the MFDA Investor Protection Corporation was established and incorrectly refers to the MFDA Investor Protection Plan.

The proposed amendments to the FQR are housekeeping in nature in that they are intended to clarify existing requirements and correct cross-references.

Description of Amendments

The proposed amendment to MFDA Policy No. 4 will update the legal name of the Investor Protection Plan by substituting MFDA Investor Protection "Plan" with MFDA Investor Protection "Corporation".

Housekeeping amendments to the FQR are summarized in the table below:

	Reference	Change Required	Rationale
1.	**Statement A (Notes and Instructions)**	Line 4 – Add "or fees" and remove reference "from mutual fund company"	Clarification of amounts that can be reported on that line
2.	**Statement B (Notes and Instructions)**	Line 11 – add "or financial institution" and "and other investment products"	Clarification that requirement extends to all investment products held in nominee name
3.	**Statement C (Notes and Instructions**	Line 2 – change "Quarterly" to "Monthly"	Updated to reflect monthly reports are filed rather than quarterly reports
4.	**Statement D (Notes and Instructions)**	Line 26 – change Statement "E" to Statement "D"	Correction to cross-reference

Effective Date

The amended Policy and Form will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

MFDA POLICY NO. 4 *INTERNAL CONTROL POLICY STATEMENTS*

On May 22, 2008, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following housekeeping amendments to MFDA Policy No. 4 *Internal Control Policy Statements*:

MFDA POLICY NO. 4

INTERNAL CONTROL POLICY STATEMENTS

MFDA INTERNAL CONTROL POLICY STATEMENT 1 – GENERAL MATTERS

This Policy Statement is one in a series that prescribes requirements for and provides guidance on compliance with MFDA Rule 2.9 that states "every Member shall establish and maintain adequate internal controls as prescribed by the Corporation from time to time."

“Internal control” is defined as follows:

> ***"Internal control consists of the policies and procedures established and maintained by management to assist in achieving its objective of ensuring, as far as practical, the orderly and efficient conduct of the entity's business. The responsibility for ensuring adequate internal control is part of management's overall responsibility for the ongoing activities of the entity." (CICA Handbook, 5200.03)***

The effectiveness of specific policies and procedures is affected by many factors, such as management philosophy and operating style, the function of the board of directors (or equivalent) and its committees, organizational structure, methods of assigning authority and responsibility, management control methods, system development methodology, personnel policies and practices, management reaction to external influences, and internal audit. These and other aspects of internal control affect all parts of the Member firm.

In addition to compliance with required policies and procedures set out in these Policy Statements, a Member must consider the following, to the extent that they suggest a higher standard than would otherwise be required:

(ii) Authoritative literature such as publications of the Mutual Fund Dealers Association of Canada, the MFDA Investor Protection ~~Plan~~ Corporation, the Internal Control Guidelines published by the Investment Dealers Association of Canada and publications of the Canadian Institute of Chartered Accountants;

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

MFDA FINANCIAL QUESTIONNAIRE AND REPORT – FORM 1

On May 22, 2008, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following housekeeping amendments to the MFDA Financial Questionnaire and Report – Form 1:

FORM 1

MFDA FINANCIAL QUESTIONNAIRE AND REPORT

STATEMENT A
NOTES AND INSTRUCTIONS
[comparative figures to be completed at audit date only]

Line 4 - In the case of commissions or fees receivable~~s from mutual funds~~, to the extent that there is written documentation that the Member does not have a liability to pay salespersons' commission until it is received ~~from the mutual fund company~~, the salesperson's portion of the commission or fee receivable is an allowable asset.

Line 8 - Include **only** overpayment of prior years' income taxes or current year installments. Taxes recoverable due to current year losses may be included to the extent that they can be carried back and applied against taxes previously paid. This line should not include future tax debits arising from losses carried forward.

Line 9 - Include GST receivables, capital tax, Part IV tax, sales and property taxes.

Line 10 - Includes **only** receivables from Acceptable Entities but does not include subordinated loans receivable from other Members which should be shown on line17. Allowable assets are those assets which due to their nature, location or source are either readily convertible into cash or from such creditworthy entities as to be allowed for capital purposes.

Line 18 - Including but not limited to such items as:

- prepaid expenses
- future income tax debits
- cash surrender value of life insurance
- intangibles
- deferred charges
- advances to employees

Line 23 - Includes amounts owed by the Member for the purchase of client securities.

Line 27 - Include discretionary bonuses payable and bonuses payable to shareholders.

Line 29 - Include current portion of deferred lease inducements.

Line 38 - Include contributed surplus, if applicable.

STATEMENT B
NOTES AND INSTRUCTIONS

EACH MEMBER SHALL HAVE AND MAINTAIN AT ALL TIMES RISK ADJUSTED CAPITAL IN AN AMOUNT NOT LESS THAN ZERO.

Line 4 - Rule 3.1.1 requires the following minimum capital amounts:

Level 1	$ 25,000
Level 2	50,000
Level 3	75,000
Level 4	200,000

Line 11 - 100% of the market value of securities must be provided in the case where client or firm securities are held at locations which do not qualify as acceptable securities locations (see General Notes and Definitions). Securities held by an entity with which the Member has not entered into a written custodial agreement as required by the By-laws and Rules of the MFDA shall be considered as being held at non-acceptable securities locations.

For nominee name accounts, where a mutual fund company or financial institution does not provide a monthly statement or electronic file confirming all of the Member firm's ~~mutual fund~~ positions, the Member shall provide margin equal to 100% of the market value of such mutual funds and other investment products held on behalf of clients.

Line 12 and 13 - Items are considered unresolved unless a journal entry to resolve the difference has been processed as of the Due Date of the questionnaire.

This does not include journal entries writing off the difference to profit or loss in the period subsequent to the date of the questionnaire.

Margin must be provided for adverse unresolved differences in nominee name accounts in an amount equal to the market value of the securities short plus the applicable margin rates related to the security. If the deficiency has not been resolved within thirty days of being discovered, the Member shall immediately purchase the securities that are short.

Line 14 - This item should include all margin requirements not mentioned above as outlined in the By-laws and Rules of the MFDA

STATEMENT C
NOTES AND INSTRUCTIONS

1. The objective of the various Early Warning Tests is to measure characteristics likely to identify a firm heading into financial trouble and to impose restrictions and sanctions to reduce further financial deterioration and prevent a subsequent capital deficiency. “Yes” answers indicate Early Warning has been triggered.

   If the firm is currently capital deficient (i.e. risk adjusted capital is negative), only Part A of the early warning tests need be completed.

2. The profit or loss figures to be used are before bonuses, income taxes and extraordinary items [Statement D, line 20]. Note that the “current quarter” figure must also reflect any audit adjustments made subsequent to the filing of the ~~Quarterly~~ Monthly Financial Report.

3. If the current quarter is profitable, enter a "No" answer for Part C.

STATEMENT D – NOTES AND INSTRUCTIONS

A comparative statement of income prepared in accordance with generally accepted accounting principles and containing at least the information shown in the pre-printed Statement D may be substituted. It should be affixed to the statement provided.

It is recognized that the components of the revenue and expense classification on this statement may vary between firms. However, it is important that each firm be consistent between periods. Fair presentation may require the separate disclosure of additional large and/or unusual items by way of a note to this statement.

Lines

2 Assets under Administration means the market value of all mutual funds reflected in the client accounts (nominee and client name) of a Member in all provinces of Canada, excluding Quebec.

3-7 All **Commission Revenue** should be reported net of payouts to carrying dealers. Commission paid to salespersons should be shown on line 15.

3 Includes all gross commissions and trailer fees earned on mutual fund transactions, net of any payouts to the mutual funds.

10 Includes any charges to clients that are not related to commissions.

11 Includes fund management fees and other consulting fees not charged to clients.

12 Includes all fees earned as a result of referring clients to another entity for products or services.

13 Includes foreign exchange profits/losses and all other revenue not reported above.

15 This category should include commissions, bonuses and other variable compensation of a contractual nature. Examples would encompass commission payouts to salespersons. Discretionary bonuses should be included on line 21. All contractual bonuses should be accrued monthly and included on line 15.

16 Includes all interest on subordinated debt.

17 Includes trading profits/losses from principal trading activities and adjustment of marketable securities to market value.

18 Unusual items are items that have some but not all of the characteristics of extraordinary items *[line 23]*. An example of an unusual item may include costs associated with a branch closure.

19 Includes all operating expenses except those mentioned elsewhere: Variable compensation *[line 15]*, discretionary bonuses *[line 21]*.

21 This category should include discretionary bonuses and all bonuses to shareholders in accordance with share ownership. However, please read the instructions for line 15 before completing.

22 Includes ONLY income taxes. Realty and capital taxes should be included in line 19. Taxes at 33-1/3% on partnership profits should be disclosed on this line. The current provision should be net of loss carryforwards, the details of which should be disclosed on Schedule 3.

23 Extraordinary items have the following characteristics:

(a) they are not expected to occur frequently over several years;

(b) they do not typify normal business activities; and

(c) they do not depend primarily on decisions or determinations by management.

They should be reported net of tax. An example of an extraordinary item would include the destruction of a company's uninsured art collection by fire.

26 Includes only direct charges or credits to retained earnings that are capital transactions (e.g. premium on share redemptions), income of a subsidiary accounted for by the equity method and prior period adjustments. Any adjustment(s) required to reconcile retained earnings on the Monthly Financial Report to the MFDA Financial

Questionnaire and Report should be posted to the individual Statement ~~E~~D line items on the first Monthly Financial Report that is filed after the adjustment(s) is known.

13.1.2 Housekeeping Amendments to MFDA Rule 3 – Financial and Operations Requirements

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO MFDA RULE 3

(FINANCIAL AND OPERATIONS REQUIREMENTS)

Current Rule

Rule 3 sets out the minimum requirements that MFDA Members must observe regarding financial and operational considerations. These include minimum Member capital, segregation of client property, early warning provisions, financial filings and audit requirements.

In particular, Rule 3.5.3 requires Members to file, through their auditors, on an annual basis, such additional information relating to affairs of any related Members, as considered necessary by the MFDA.

Reasons for Amendments

Most of the amendments to Rule 3 have been proposed to clarify, update and address minor inconsistencies between terms used in the Rule and terms used in other contexts, such as the Canadian Institute of Chartered Accountants ("CICA") Handbook.

With respect to Rule 3.5.3, this Rule was initially included prior to the establishment of the MFDA Investor Protection Corporation. The Rule contemplated cases where there may be companies that are considered "related" and are both covered by the MFDA's investor protection fund, but are not both subject directly to the MFDA's audit jurisdiction. Given the fact that the MFDA Investor Protection Corporation only offers coverage to Members of the MFDA, Rule 3.5.3 is no longer considered relevant.

Description of Amendments

The following amendments to Rule 3 are proposed:

- MFDA Investor Protection "Fund" or "Plan" has been changed to MFDA Investor Protection "Corporation" (Rules 3.4.2(b)(ii)(C), 3.6.5 and 3.6.7).
- The word "inventory" has been changed to "investments" to more accurately state the Rule as mutual fund dealers do not typically have "inventory" balances (Rule 3.4.3).
- The word "consolidated" has been changed to "combined" as "consolidated" is a defined term under the CICA Handbook whereas the MFDA reporting requirements are specifically outlined in the Rule (Rule 3.5.2).
- Rule 3.5.3 has been deleted.
- The word "Canadian" has been added where there are specific references to "generally accepted accounting principles" or "generally accepted auditing standards" to clarify that it is Canada's standards that apply (Rules 3.5.4(b) and 3.6.1).
- Specific references to the CICA Handbook have been removed as section references have become outdated (Rules 3.6.2(a), 3.6.2(a)(i), 3.6.2(a)(ii) and 3.6.4).
- Early warning "reserves" has been changed to early warning "excess" to ensure consistency of terms used (Rule 3.6.2(a)(ii)).
- The word "prove" has been changed to "substantiate" to more accurately state the auditor requirements and ensure consistency with CICA Handbook terminology (Rule 3.6.2(b)(i)).
- Where terms are narrow in scope (i.e. "mutual fund", "security"), amendments have been made to clarify the requirement is broader in scope. For example, "securities" has been changed to "securities or other investment products" or "assets" to ensure that guaranteed investment certificates and other products are considered (Rules 3.6.2(b)(iii), 3.6.2(b)(v), 3.6.2(b)(vi)(B) and 3.6.2(b)(iv)(C)).
- Specific Rules have been updated to properly reflect changes in auditing practices resulting from advancements in technology over time (Rules 3.6.2(b)(iv) and 3.6.2(b)(vi)).

- Additional wording has been added for clarification of specific requirements (Rules 3.6.2(b)(v) and 3.6.2(b)(vi)(B)).
- Corrections have been made to cross-references (e.g. changing “(E)” to “(D)”) (Rule 3.6.2(b)(vi)).
- The words “Cash and” have been added to the Rule to reflect the proper name of the Report in Form 1 (Rule 3.6.2(b)(ix)).

The proposed amendments are housekeeping in nature in that they are intended to clarify existing requirements and the current language of the Rule.

Effective Date

The amended Rule will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

FINANCIAL AND OPERATIONS REQUIREMENTS (Rule 3)

On May 22, 2008, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following housekeeping amendments to MFDA Rule 3:

3.4 EARLY WARNING

3.4.2 (b) **Requirements.** If a Member is designated in early warning then, notwithstanding the provisions of any By-law or Rule, the following provisions shall apply:

(ii) the Corporation shall immediately designate the Member as being in early warning and shall deliver to the chief executive officer and chief financial officer a letter containing the following:

(A) advice that the Member is designated as being in early warning,

(B) a request that the Member file its next monthly financial report required pursuant to Rule 3.5.1(a) no later than 15 business days or, in the discretion of the Corporation if considered to be practicable, such earlier time following the end of the relevant month,

(C) a request that the Member respond to the letter as required under Rule 3.4.2(b)(iii) and confirmation that such response, together with the notice received pursuant to Rule 3.4.2(b)(i), will be forwarded to MFDA Investor Protection ~~Fund~~Corporation and may be forwarded to any securities commission having jurisdiction over the Member,

(D) advice that the restrictions referred to in Rule 3.4.2(b)(iv) shall apply to the Member,

(E) such other information as the Corporation shall consider relevant;

3.4.3 **Restrictions.** The Corporation may in its discretion, without affording the Member a hearing, prohibit a Member which is designated as being in early warning from opening any new branch offices, hiring any new Approved Persons, opening any new client accounts or changing in any material respect the ~~inventory~~investment positions of the Member. Any such prohibitions which have been imposed shall continue to apply until the Member is no longer designated as being in early warning, as demonstrated by the latest filed monthly financial report of the Member.

3.5 FILING REQUIREMENTS

3.5.2 **~~Consolidated~~ Combined Financial Statements.** In calculating the risk adjusted capital of a Member, the financial position of the Member may, with the prior approval of the Corporation, be ~~consolidated~~ combined (in a manner as set out below) with that of any related Member provided that:

(a) the Member has guaranteed the obligations of such related Member and the related Member has guaranteed the obligations of the Member (such guarantee to be in a form acceptable to the Corporation and unlimited in amount).

(b) inter-company accounts between the Member and the related Member shall be eliminated;

(c) any minority interests in the related Member shall be eliminated from the capital calculation; and

(d) calculations with respect to the Member and the related Member shall be as of the same date.

~~3.5.3 Related Members. In addition to the statements under Rule 3.5.1, each Member shall file annually with the Corporation through the Member's auditor, particulars of the name and relationship to the Member of each related Member and such financial statements and reports with respect to the affairs of any such related Member as the Corporation considers necessary or advisable.~~

~~3.5.4~~3.5.3 **Members' Auditors**

(b) **Standards.** The Member's auditor shall conduct his or her examination of the accounts of the Member in accordance with Canadian generally accepted auditing standards and the scope of his or her procedures shall be sufficiently extensive to permit him or her to express an opinion on the Member's financial statements in

the form prescribed. Without limiting the generality of the foregoing, the scope of the examination shall, where applicable, include at least the procedures set out in Rule 3.6.

~~3.5.5~~3.5.4 **Assessments**

3.6 AUDIT REQUIREMENTS

3.6.1 **Standards.** The audit under Rule 3.5 shall be conducted in accordance with Canadian generally accepted auditing standards and shall include a review of the accounting system, the internal accounting control and procedures for safeguarding assets. It shall include all audit procedures necessary under the circumstances to support the opinions which must be expressed in the Member's auditor's reports of Parts I and II of Form 1. Because of the nature of the industry, the substantive audit procedures relating to the financial position must be carried out as of the audit date and not as of an earlier date, notwithstanding that the audit is otherwise conducted in accordance with Canadian generally accepted auditing standards.

3.6.2 **Scope**

(a) *Tests.* The scope of the audit shall include the following procedures, but nothing herein shall be construed as limiting the audit or permitting the omission of any additional audit procedure which any Member's auditor would deem necessary under the circumstances. For purposes of this Rule tests fall into two basic categories ~~(~~as described in CICA Handbook~~ sections 5300.11 to 5300.21)~~:

(i) specific item tests, whereby the auditor examines individual items which he or she considers should be examined because of their size, nature or method of recording~~ (CICA Handbook Section 5300.13)~~; and

(ii) representative item tests, whereby the auditor's objective is to examine an unbiased selection of items~~ (Section 5300.13)~~.

The determination of an appropriate sample on a representative basis may be made using either statistical or non-statistical methods in accordance with Canadian generally accepted auditing standards~~ (CICA Handbook Section 5300.14)~~.

In determining the extent of the tests appropriate in sub-sections (i), (ii) and (iii) of (b) below, the Member's auditor should consider the adequacy of the system of internal control and the level of materiality appropriate in the circumstances so that in the auditor's professional judgement the risk of not detecting a material misstatement, whether individually or in aggregate is reduced to an appropriately low level (e.g. in relation to the estimated risk adjusted capital and early warning~~ reserves~~ excess).

(b) *Audit Procedures.* The Member's auditor shall as of the audit date:

(i) compare ledger accounts with the trial balances obtained from the general and subsidiary ledgers and ~~prove~~ substantiate the subsidiary ledger totals with their respective control accounts (see Rule 3.6.4 below relating to Electronic Data Processing);

(ii) account for, by physical examination and comparison with the books and records, all securities in the physical possession of the Member;

(iii) review the reconciliation of all mutual fund~~s~~ companies and financial institutions where a Member operates a nominee name account and review the balancing of all ~~security~~ positions. Where a position or account is not in balance according to the records, ascertain that an adequate provision has been made in accordance with the Notes and Instructions for out of balance positions embodied in Statement B of Form 1 for any potential loss;

(iv) review bank reconciliations~~. After allowing at least ten business days to elapse, obtain bank statements, cancelled cheques and all other debit and credit memos directly from the banks~~ and by appropriate audit procedures substantiate on a test basis the reconciliations with the ledger control accounts as of the audit date;

(v) where a Member operates a nominee name account or has its own securities or investment products, ensure that all custodial agreements are in place for ~~securities~~those lodged with acceptable locations and that such agreements satisfy the minimum requirements of the Corporation;

(vi) obtain written confirmation with respect to the following:

(A) bank balances and other deposits;

(B) cash, nominee name ~~security~~ positions and deposits with clearing houses and like organizations and cash and nominee name~~security~~ positions with mutual fund companies and financial institutions;

(C) cash and ~~securities~~investments loaned or borrowed (including subordinated loans) together with details of collateral received or pledged, if any;

(D) accounts with brokers or dealers;

(E) accounts of directors, partners or officers of the Member held by the Member where the Member operates a nominee name account;

(F) accounts of clients where a Member operates a nominee name account;

(G) statements from the Member's lawyers as to the status of lawsuits and other legal matters pending which, if possible, should include an estimate of the extent of the liabilities so disclosed; and

(H) all other accounts which in the opinion of the Member's Auditor should be confirmed.

Compliance with the confirmation requirements shall be deemed to have been made if positive requests for confirmation have been ~~mailed~~sent by, and returned directly to, the Member's auditor ~~in an envelope bearing the auditor's return address~~ and second requests are similarly ~~mailed~~sent to those not replying to the initial request. Appropriate alternative verification procedures must be used where replies to second requests have not been received. For accounts mentioned in (D~~E~~) and (F) above, the Member's auditor shall (1) select specific accounts for positive confirmation based on their size (all accounts with equity exceeding a certain monetary amount, with such amount being related to the level of materiality) and other characteristics such as accounts in dispute ~~and nominee name accounts~~, and (2) select a representative sample from all other accounts of sufficient extent to provide reasonable assurance that a material error, if it exists, will be detected. For accounts in (D~~E~~) and (F) above that are not confirmed positively, the Member's auditor shall ~~mail~~send statements with a request that any differences be reported directly to the auditor. Clients' accounts without any balance whatsoever and those closed since the last audit date shall also be confirmed on a test basis using either positive or negative confirmation procedures, the extent to be governed by the adequacy of the system of internal control;

(vii) subject the Statements in Part I and Schedules in Part II of Form 1 to audit tests and/or other auditing procedures to determine that the margin and capital requirements, which are used in the determination of the excess (deficiency) of risk adjusted capital are calculated in accordance with the Rules and Form 1 in all material respects in relation to the financial statements taken as a whole;

(viii) obtain a letter of representation from the senior officers of the Member with respect to the fairness of the financial statements including among other things the existence of contingent assets, liabilities and commitments;

(ix) complete and report on the results of applying the prescribed procedures contained in the Report on Compliance for Segregation of Cash and Securities in Form 1.

3.6.3 ~~**Insurance and Subsequent Events**~~**Additional Reporting.** In addition, the Member's auditor shall:

(a) complete and report on the results of applying the prescribed procedures contained in the Report on Compliance for Insurance in Form 1; and

(b) report on any subsequent events, to date of filing, which have had a material adverse effect on the excess (deficiency) of risk adjusted capital.

3.6.4 **Systems Review.** The Member's auditors' review of the accounting system, the internal accounting control and procedures for safeguarding securities prescribed in the above Audit Requirements should encompass any in-house or service bureau EDP operations. ~~(This may include reliance on CICA Handbook Section 5900 report "Opinions on Control Procedures at a Service Organization"). -~~As a result of such review and evaluation the Member's auditor may

be able to reduce the extent of detailed checking of clients and other account statements to trial balances and security position records.

3.6.5 **Retention.** Copies of Form 1 and all audit working papers shall be retained by the Member's auditor for seven years. The two most recent years shall be kept in a readily accessible location. All working papers shall be made available for review by the Corporation and the MFDA Investor Protection ~~Plan~~Corporation and the Member shall direct its auditor to provide such access on request.

3.6.7 **Reliance.** The reports and audit opinions required in respect of a Member under this Rule 3.6 shall be addressed to the Corporation and the MFDA Investor Protection ~~Plan~~Corporation in conjunction with the Member who shall be entitled to rely on them for all purposes.

13.1.3 IIROC Amendments to Implement the CSA Registration Reform Project

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA ("IIROC")
AMENDMENTS TO IMPLEMENT THE CSA REGISTRATION REFORM PROJECT

I OVERVIEW

The Canadian Securities Administrators, (the Securities Regulatory Authorities or SRAs), the Investment Industry Regulatory Organization of Canada Inc. (IIROC) and the Mutual Fund Dealers Association (MFDA) have worked jointly on a project – the Registration Reform Project – to modernize, streamline and harmonize registration and approval requirements for dealers and their registered individuals. The project has resulted in a proposal to harmonize securities legislation across the CSA jurisdictions and the development of proposed National Instrument (NI) 31-103 – Registration Requirements, intended to be adopted by all CSA jurisdictions.

IIROC and its predecessor, the Investment Dealers Association of Canada (IDA) have been involved to provide policy recommendations and ensure that there is no inconsistency between CSA and IIROC regulations regarding registration requirements.

A Current Rules

Rule 1 contains the definitions of terms used in the Rules.

Rule 4 establishes rules regarding the establishment of branch offices of Dealer Members, branch membership in district councils and requirements for appointment and the qualification and approval of branch managers.

Rule 7 establishes requirements regarding the qualification and approval of partners, directors and officers of Dealer Members.

Rule 18 establishes requirements regarding the qualification and approval of Registered Representatives (RRs) and Investment Representatives (IRs) of Dealer Members.

Rule 20 establishes the authority and processes of decision-making panels. In particular, it establishes the authority of and the processes through which District Councils can accept or reject registration applications, impose terms or conditions on the approval of applications and grant exemptions to rule requirements.

Rule 29 sets a number of conduct standards for Dealer Members and Approved Persons. In particular, Rule 29.27 establishes supervision and compliance requirements.

Rule 38 establishes executive-level positions and processes within a Dealer Member designed to ensure that compliance becomes part of a Dealer Member's corporate governance, including the appointment of senior executives responsible for compliance and the involvement of a Dealer Member's Board of Directors or similar body.

Rule 40 establishes requirements for the filing of approval applications and notices of changes to information on Approved Persons through the National Registration Database.

Rule 1300 governs the opening and supervision of client accounts, including requirements for the handling of managed accounts and the qualification and approval of discretionary portfolio managers at Dealer Members.

Rule 1800 governs the conduct of exchange-listed commodity futures business by Dealer Members, including the qualification and approval of persons conducting or supervising such business.

Rule 1900 governs the conduct of exchange-listed options business by Dealer Members, including the qualification and approval of persons conducting or supervising such business.

Rule 2500 establishes minimum supervision standards for opening, operating and supervising retail accounts designed to meet the more general requirements of Rule 1300.

Rule 2700 sets the parameters under which an account can be treated as an institutional account and establishes minimum supervision standards for opening, operating and supervising institutional accounts designed to meet the more general requirements of Rule 1300.

Rule 2900 establishes proficiency requirements for approval in specific capacities. Part I establishes the requirement; Part II specifies exemptions from the Part I requirements and establishes requirements to re-qualify after periods of not being approved in a capacity.

B Issue

Changes need to be made to the current IIROC registration related rules to make them consistent with the objectives of the CSA Registration Reform Project proposals. The proposed new rules are designed to implement the approach and objectives of the Registration Reform Project in the IIROC Dealer Member Rules.

C Objectives

The objectives of the rule changes are for the most part those of the Registration Reform Project:

1. Simplify the categories of approval and eliminate rote, follow-on approvals, such as approvals to trade specific products that are based almost entirely on meeting specific proficiency requirements, in favour of notice processes.

2. Derive approval requirements from functions rather than titles. In this regard, the rule changes propose ceasing to approve all those with specific officer titles, instead approving those exercising executive management functions at a Dealer Member – the "mind and management" of the Dealer Member.

3. Modernize registration-related requirements on Dealer Members, moving to the extent reasonable to a principles-based approach. In this regard they remove as far as possible prescriptive structural requirements that are not appropriate to all of the different types of Dealer Members' businesses and business models, such as requirements to place supervisory responsibilities on resident branch managers of all business locations about a certain size. They will therefore give Dealer Members greater flexibility to develop compliance and supervision structures and processes appropriate for their size, type(s) of business, business structures, systems and resources.

4. Harmonize as far as possible the IIROC Rules with those of the SRAs and MFDA. Where harmonization is not possible, ensure that there is no conflict between SRA and IIROC rules. In general, conflicts occur where IIROC has more elaborate rules, such as capital rules and the suitability regime, and in those cases the proposal includes a provision that some sections do not apply to IIROC Dealer Members. Where NI 31-103 sets a standard applicable to IIROC Dealer Members that would be in conflict, such as eligibility for registration/approval as Ultimate Designated Person, the proposed rule changes harmonize the IIROC Rules with proposed NI 31-103.

Some of the proposed rule changes are housekeeping or are directed at improving the clarity of the rules. Where extensive changes are made the revised rules are written in plainer language, and related but unchanged parts have been rewritten to conform to the plain language style of the new provisions[1]. There have also been a few deletions of transitional provisions that are no longer required, such as the transition provisions in Rule 40 required to get Approved Person data into the NRD System.

D Effect of Proposed Rules

The proposed amendments will make the Rules consistent with the goals of the CSA Registration Reform Project.

The proposed amendments will give Dealer Members greater flexibility in designing their compliance systems. In doing so they may result in savings to Dealer Members by permitting them to take more efficient approaches. However, cost savings are not the objective of the proposed amendments and the Corporation will review changes to Dealer Member systems as part of its normal business conduct reviews to ensure that changes result in systems that are at least as effective as those prescribed by the current Rules.

The proposed amendments will require Dealer Members to maintain extensive records of both Approved Persons and assignment of responsibilities. In the case of Approved Persons, some Dealer Members currently rely on the NRD System for their own record keeping in ways that they will not be able to after implementation of the proposed amendments. In that case the proposed amendments may increase registration record keeping costs of some Dealer Members.

II DETAILED ANALYSIS OF RECOMMENDED PROPOSAL

A Proposed Amendments

Overview

The following describes the main overall effect of the proposed amendments. Some of the changes necessary to achieve the results described are spread through more than one Rule.

[1] The plain language changes are not part of the IIROC Rule Rewrite Project and have not been reviewed by plain-language experts.

1. Simplification of approval categories

The Corporation currently has 46 approval categories for individuals; the proposed amendments reduce the number to 9[2].

Each category now represents a different conjunction of five elements:

(1) the type of trading activity – trading, order-taking only, advisory or portfolio management;

(2) the type(s) of product(s): securities, mutual funds only, options or commodities;

(3) type of client: retail or non-retail

(4) the individual's position with the Dealer Member: representative, partner, officer or director;

(5) supervisory responsibilities: Ultimate Designated Person, Chief Financial Officer, Chief Compliance Officer, Alternate Designated Person or Branch Manager; and

Each element of an approved person's function includes a specific proficiency requirement. As any of these items changes, the Dealer Member has to file an application for a category change and, if necessary, notification of completion of the applicable proficiency requirements.

The proposed amendments simplify the categories by focusing solely on functions. These are:

(1) Investment Representative: approved to take unsolicited orders

(2) Registered Representative: approved to give investment advice

(3) Trader: approved to enter orders into the trading systems of specific exchanges

(4) Supervisor: approved to supervise the business activities of other approved persons

(5) Executive: approved to participate in the executive management of a Dealer Member

(6) Director: approved to sit on the Board of Directors of a Dealer Member or occupy a similar position in a Dealer Member not organized as a corporation

(7) Ultimate Designated Person: the Chief Executive Officer of a Dealer Member or person in a similar position, approved to have overall responsibility for the Dealer Member's compliance with laws and regulations, including the Rules, governing its securities-related activities;

(8) Chief Financial Officer, approved to be responsible for ensuring that the Dealer Member complies with the financial adequacy requirements of the Rules;

(9) Chief Compliance Officer, approved to be responsible for ensuring that the Dealer Member has systems and controls reasonably designed to ensure its compliance with laws and regulations, including the Rules, governing its business conduct.

Under the proposal, specifics as to the types of products, clients and services will be information items, but will remain subject to proficiency requirements. They will be reported in initial applications, but subsequent changes will require only notification that the Approved Person has completed the necessary proficiencies and will be undertaking the applicable business activity. There will be no approval by IIROC staff, only a check, which may come after the fact, that the Dealer Member has disclosed the completion of the necessary proficiency requirements.

2. Merging of supervisory categories and implementation of a principles-based approach to supervision

The Rules currently require that each location of a Dealer Member have a Branch Manager who is approved as such by the Corporation. A location having less than 3 or 4 RRs (depending on the rules of local SRA) may be designated as a sub-branch supervised by the resident Branch Manager of a full branch. Dealer Member Rule 2500 sets out specific account supervision requirements for Branch Managers of retail branches.

[2] There is one other category – Investor under Rule 5 – that is not covered in the proposals.

While establishing one effective method of supervising branch retail activity, the current requirements restrict Dealer Members from adopting any other supervisory structure and therefore from being innovative in the way they supervise business conduct. They are inappropriate for Dealer Members conducting non-retail or non-advisory other businesses, for example institutional sales and trading, proprietary trading and suitability-exempt discount brokerage.

The current requirements do not fit many business models of Dealer Members. For example, under the current regulations a Branch Manager is responsible for all activity in the branch. However, a large branch may also do institutional business, research and corporate finance that a Branch Manager does not have the necessary expertise to supervise. Those doing those types of business may in fact report directly to a department supervisor in the Dealer Member's head office.

The proposed rule changes remove the forced structural element of the Branch Manager requirements, merging all supervisory categories into one: Supervisor. Current Branch Managers will become approved in that category, as will other specific supervisory categories including product-specific supervisors such as options and futures contracts principals. As with trading categories, the proficiency requirements to supervise specific types of activity will remain. Changes in proficiency and types of business being supervised will be matters of notice.

In place of the prescribed positions and functions, Dealer Members will be required to maintain detailed historical records of their supervisory structures and the persons responsible for fulfilling specific supervisory functions.

The proposed rule changes continue to require that specific persons be designated to perform specific functions, such as overall supervision of options or futures trading, portfolio supervision and retail account supervision. However, under the proposed rules those fulfilling those functions will no longer have a separate category and approval requirement; they will be approved as Supervisors[3]. Dealer Members will be required to maintain historical records as to who fulfills those designated roles, and their alternates.

The proposed amendments are not intended to eliminate the branch manager structure as a viable way of supervising business activity. Dealer Members will still be able to designate branch managers and assign them the same responsibilities currently contained in the Rules. However, they will be approved as Supervisors. The proposed rules contain no restrictions on the use of most currently used titles such as Branch Manager.

Proposed changes to Dealer Member Rule 2500 make it more of a guidance document, but establish the two-tier method of retail account supervision prescribed in the current Rule as an acceptable option rather than a specific requirement. This change will permit Dealer Members to develop alternative approaches to supervision.

The proposed revisions to Dealer Member Rule 2500 also include new guidance designed to give effect to the more principles-based approach, and additions designed to more fully delineate some requirements, including:

- Guidelines for a risk-based approach to selecting accounts for supervisory review;
- A general requirement that Dealer Member's account opening procedures take into account gatekeeper obligations;
- A restriction preventing ongoing trading in an account when a fully completed new account form has not been approved;
- A requirement that Dealer Members restrict the ability to update customer information on their electronic systems and have means independent of the RR handling an account for verifying significant changes to client information;
- Expanded descriptions of requirements regarding placing restrictions on the types of strategies to be used in options and futures accounts;
- An expanded description of the available means of monitoring losses and loss limits in futures accounts.

3. Limiting partner / officer / director registration to the mind and management of the Dealer Member

The current rules require approval of all partners, directors and senior officers of Dealer Members. "Senior officers" include any persons having titles listed in Dealer Member Rule 1: Chairman, Vice-Chairman, President, Vice-President, Treasurer, Secretary and General Manager. Anyone using any of those titles is required to have the Approval of the Corporation in the position and to complete the Partners, Directors and Senior Officers Qualifying Examination (PDO).

[3] A proposed change to Dealer Member Rule 1 defines "Designated Supervisor" as a person fulfilling one of these roles. However, "Designated Supervisor" is not proposed as an approval category. The term is defined because of frequent references to specific "Designated Supervisors" in the proposed amendments. Each reference to a Designated Supervisor in the proposed amendments contains a reference to which Designated Supervisor where the reference is not apparent from the context.

Many Dealer Members appoint individuals to positions like Vice-President in recognition of seniority and accomplishment, even though they have no involvement in the actual management of the Dealer Member. They are first required to complete the PDO, which focuses on corporate governance issues in the securities industry that are irrelevant to their actual functions.

Changes to partnership structures have also made the current rules outdated. Partnership interests set up for compensation purposes but that do no include the ability to bind the partnership continue to be treated as full partnerships, requiring Approval by the Organization and completion of the PDO.

The proposed rules deal with these problems by focusing on the function of managing a Dealer Member rather than on specific titles. Those filling executive management functions, the "mind and management" of the Dealer Member, will have to apply and be approved in the Executive category, whatever their title, and will continue to have to complete the PDO.

4. Bringing the Ultimate Designated Person and Chief Compliance Officer categories into the approval system and making them consistent with NI 31-103

Dealer Member Rule 38.1 requires the appointment of one of a Dealer Member's senior management to the role of Ultimate Designated Person (UDP) to "be responsible to the [Corporation] for the conduct of the firm and the supervision of its employees." Those eligible to take the position are "its Chief Executive Officer, its President, its Chief Operating Officer or its Chief Financial Officer (or such other officer designated with the equivalent supervisory and decision-making responsibility)."

Dealer Member Rule 38.1 ensures that at least one person in a senior management position has direct, individual responsibility for compliance and supervision matters.

Proposed NI 31-103 adopts the UDP requirement, but requires that it be occupied by the Chief Executive Officer. The proposed changes include an amendment to Dealer Member Rule 38 to make it consistent with proposed NI 31-103 in that regard. Dealer Members will be subject to the NI 31-103 provision therefore it would be impractical and confusing to retain the current Rule provision and risk having different people in the same role, one under NI 31-103 and the other under Dealer Member Rule 38.

Proposed NI 31-103 includes UDP and CCO as registration categories. At present Dealer Member Rule 38 requires a Dealer Member to appoint senior officers to those positions, but does not contain any requirement for them to be Approved by the Corporation to occupy those roles. The proposed amendments require Approval by the Corporation of UDPs and CCOs, giving the Corporation authority refuse Approval or grant it subject to conditions.

5. Eliminating transfer of Approval delays

The current process for an IR or RR to transfer from one Dealer Member to another involves an application for transfer filed through NRD and Approved by the Corporation. NI 31-103 proposes a new process under which an individual's registration with a new firm will, for the first 90 days after termination of employment at the previous registered firm, be granted automatically at the time a transfer filing through NRD. The exact details of the filing are not yet determined because of NRD technical issues. The new process will eliminate any waiting time for the review and approval of a transfer application.

The proposed amendments will implement the same process for the transfer of Approved Persons between Dealer Members. As with the proposed NI31-103, automatic transfers will be made only when there is no change of category involved.

Because there is no waiting for transfer of an Approval, it is essential that the Corporation have the power to act if it later receives information that calls into question the fitness or propriety of the transferring person. In most cases, such as when an investigation has been launched, information received is not sufficient to deny or revoke Approval, but raises enough questions to warrant putting conditions on the individual's Approval until the matter is resolved. The most frequent conditions are close or strict supervision.

It is therefore important to ensure that the Corporation has the authority to impose conditions on an existing approval. The proposed amendments include changes to Dealer Member Rule 20.18 to make that authority clear.

6. Repeal or amendment of Outmoded or Redundant Provisions

The proposed amendments include deletion or amendment of the following outmoded provisions[4]:

- Dealer Member Rule 7.4(c) requiring a Dealer Member to have two officers, at least one of whom must be full-time;
- Dealer Member Rule 7.7 regarding multiple employment of officers

[4] The rationale for each deletion or amendment is provided in the detailed descriptions of the amendments to each Rule below.

- Dealer Member Rule 18.13 requiring notice of Approvals by the Corporation to be sent to SRAs and SROs.
- Dealer Member Rule 18.14 requiring an undertaking by Dealer Members to supervise employees with outside business activities
- Dealer Member Rules 40.1(17) and (18), 40.10 and 40.13 governing requirements for the transition to NRD
- Dealer Member Rule 1300.5 regarding a reference to a Corporation staff position that no longer performs the function
- Dealer Member Rules 1300.5(e) and 1300.8(d) regarding use of a specific delivery method for a notice
- Dealer Member Rules 1800.2(e) and (f) requiring an office trading futures contracts or futures contracts options to have two people approved to do so
- Dealer Member Rule 1800.6 regarding dealings in futures with institutions and registered firms
- Dealer Member Rule 1900.4 and 1900.7 regarding opening and supervision of options accounts
- Dealer Member Rule 2500, Part VII.E regarding managed accounts

7. Miscellaneous changes

The proposed amendments include miscellaneous amendments designed to promote consistency and reflect current practice:

- References in Dealer Member Rules 7 and 18 to remuneration in relation to the sale or placement of securities are changed to refer to "securities-related activities" to reflect the application of the Rules to ancillary activities that may fall outside of a strict definition of "placed or sale of securities."
- A new Dealer Member Rule 1.3 has been added to clarify that the onus for compliance with the Rules falls on both Dealer Members and their Approved Persons where the Rules refer only to Dealer Members. Similarly, Dealer Member Rule 18.2 has been amended to clarify the onus on both Dealer Members and individuals.
- In places such as Dealer Member Rule 18.2 where rules relating to securities also cover futures contracts, references to futures contract have been added.
- Proposed new Dealer Member Rule 18.7 limits the period during which an IR or RR can be restricted to mutual funds business.
- A proposed replacement for Dealer Member Rules 18.16 and 18.17 regarding use of titles contains a general prohibition against the use of misleading titles or designations.
- Proposed amendments to Dealer Member Rule 1300.4 regarding discretionary accounts makes controls on such accounts consistent with those on managed accounts
- A proposed amendment to Dealer Member Rule 2700 makes it consistent with proposed NI 31-103 by incorporating the concept of "permitted clients" from NI 31-103. For most "permitted clients" the Dealer Member can accept a waiver from the client that removes any suitability obligation to the client. The proposed provision is limited because it does not apply to the individuals that can be "permitted clients" under the proposed NI 31-103 definition.
- A proposed amendment to Dealer Member Rule 2900, Part I.A.6 adds options for the supervision of those managing discretionary portfolios during the first two years of their portfolio management, a period during which they would be in the category Associate Portfolio Manager under the current categories. The amendment permits the supervision to be done by a qualified person at another Dealer Member or a registered adviser under Canadian securities legislation.

Detailed descriptions of specific amendments

The following explains the specific proposed amendments, rule by rule:

Dealer Member Rule 1

A definition of "Business Location" will be added. The term is used in the proposed changes to Dealer Member Rule 4 with regard to membership in a District, and the proposed changes to Dealer Member Rule 40 to require notification through NRD of

business locations. It is limited to those locations housing individuals requiring Approval by the Corporation, i.e. it excludes those housing only operations such as back office functions. It refers only to locations used on a regular and ongoing basis. The factors to be taken into account in determining whether a location is used on a regular and ongoing basis will be the subject of guidance.

The term "Designated Person" will be replaced with "Designated Supervisor." The current definition lists a number of registration categories or positions that will be eliminated or changed under the proposed amendments. The definition of "Designated Supervisor" is more general, referring to anyone assigned a supervisory role defined in the Rules, whether or not listed in the definition. Those positions already designated under the proposed Dealer Member Rules are listed as exemplary rather than exhaustive of the general definition. "Designated Supervisor" is not itself an Approval category. Those having specific designated roles will be Approved as Supervisors.

A definition of "Director" will be added, to include members of the Board of Directors of the Corporation or of a Dealer Member, as the context indicates, or anyone performing a like function in a Dealer Member that is not a corporation.

"Executive" will be defined to be a partner, director or officer of a Dealer Member involved in its management as a corporation or other entity. The definition includes a non-exhaustive list of typical roles or titles for such people drawn in part from the deleted definition of "Senior Officer," and adds members of any executive management committee.

A definition of "Institutional Customer" will be been added, drawn from Dealer Member Rule 2700, as the revisions use the term in other Rules.

The definitions of "Investment Representative" and "Registered Representative" will be broadened. The current definitions:

- exclude those who trade in or advise on exempt debt securities and non-exchange traded options and futures (because of the definitions of those products in Dealer Member Rules 1800 and 1900);
- exclude investment products not defined as securities under Provincial securities legislation such as guaranteed investment certificates
- exclude those who only trade on the Dealer Member's behalf.

All of these activities fall within the Corporation's regulatory ambit and should trigger a requirement for Approval, so the exclusions will be deleted. Proposed NI 31-103 also makes it clear that proprietary trading falls within the registration requirements.

A definition of "Retail Customer" will be added, being any customer that is not an institutional customer. The term is used with regard to the requirement to disclose the types of business in which an IR or RR will engage under the revisions to Approval categories in Dealer Member Rule 1800.

The definitions of "Officer," "Sales Manager," "Senior Officer," and "Sub branch Office" will be deleted as they are no longer necessary under the proposed revisions.

A definition of "Supervisor" will be added. It defines the new Approval category for anyone given supervisory responsibility by a Dealer Member. It requires that a Supervisor have both the responsibility and authority to supervise others, but restricts the goal of that supervision to compliance with laws or regulations dealing with the Dealer Member's securities-related activities. The restriction means that there may be supervisors whose authority deals solely with operational or other issues that are not subject to securities-related legal or regulatory requirements and who are not, therefore, required to be approved by the Corporation as Supervisors.

A new Dealer Member Rule section 1.3 will be added to state that where the context indicates, references in any Rule to a Dealer Member includes its partners, directors, officers, employees and agents. The numbers of subsequent sections have been increased accordingly. The new section is intended to make it clear that a requirement or prohibition placed on a Dealer Member is equally applicable to the individuals through whom the Dealer Member acts.

Dealer Member Rule 4

Dealer Member Rule 4 will be changed to refer to Business Locations instead of Branch and Sub-Branch Offices.

Most of Dealer Member Rule 4 will be repealed to reflect the elimination of the currently mandatory Branch Office supervision structure.

Dealer Member Rule sections 4.1 through 4.5 deal with eligibility to join a District and attend District meetings. The term "Branch Office Member" of a district will be retained for that purpose.

The proposed amendments rewrite the remaining sections in plain language.

Current Dealer Member Rule section 4.6(c) will be kept as Rule 4.6; Rules 4.6(a) and (b) will be deleted. The current provisions require the Approval of the Corporation to open or close Branch and Sub-Branch Offices; the proposed section 4.6 will require Dealer Members to notify the Corporation of the opening and closing of Business Locations. The Corporation staff uses Business Location information in conducting its oversight of Dealer Members' compliance and supervision systems so it is important that the Corporation know where Dealer Members conduct business with the public.

Dealer Member Rule 7

Under the proposed amendments, Dealer Member Rule 7 will be amended to replace requirements relating to partners and directors with requirements relating to Directors and requirements relating to officers with requirements relating to Executives, limiting their application to the "mind and management" of the Dealer Member.

The proposed amendments to Dealer Member Rule section 7.3 change the requirements as described above with regard to a Dealer Member's Directors. 40% must meet proficiency and experience requirements and be actively involved in the Dealer Member's business or occupy an Executive or Director role at a related or affiliated dealer or financial institution.

The proposed amendments to Dealer Member Rule section 7.4 change the requirements as described above with regard to a Dealer Member's Executives, who must all meet proficiency and experience requirements and be actively involved in the Dealer Member's business or be an Executive or Director or have a similar role to Executive or Director in a related or affiliated dealer or financial institution.

Current Dealer Member Rule sections 7.3 and 7.4 give examples of affiliated financial institutions, all Canadian. The Corporation now has Dealer Members, some resident primarily in the United States, in which the Executives are also Executives of U.S. parent companies or affiliates. The examples of affiliated or related financial institutions will therefore be removed in the proposed amendments.

Dealer Member Rule subsection 7.4(c) currently requires a Dealer Member to have two officers, at least one full-time. The diversification of business types among Dealer Members has made this provision obsolete. Some Dealer Members only have officers that spend most of their time working for an affiliate. The Corporation has also had small Dealer Members, introducing brokers, having only one Executive but forced to appoint someone else simply to fulfill the requirements of the section. The proposed amendments therefore include repeal of section 7.4(c).

Dealer Member Rule section 7.5 establishes a requirement for a Dealer Member to appoint a Chief Financial Officer (CFO) and the proficiency requirement at the CFO must meet. Under the proposed amendments the requirement will be moved to Dealer Member Rule 38 so that all of the requirements for specific Executive positions are in one Rule. Dealer Member Rule 38 contains the requirements to appoint an Ultimate Designated Person and a Chief Compliance Officer. All following sections will be renumbered accordingly.

Current Dealer Member Rule section 7.7 (renumbered 7.6) permits an officer to be employed at an affiliated Dealer Member or non-Dealer Member dealer, subject to conditions and where permitted by the laws of the jurisdiction where the individual is employed. This section will be deleted as unnecessary. There is no prohibition from such multiple employment under NI 31-103 so a permissive section is unnecessary. NI 31-103 prevents multiple registrations except with affiliates. The current section also contains specific disclosure requirements to deal with conflicts of interest, while proposed NI 31-103 takes a principles-based approach to dealing with conflicts of interest. The NI 31-103 approach will apply to Dealer Members after the repeal of current Dealer Member Rule 7.7.

Current Dealer Member Rule section 7.8, to be renumbered 7.6, deals with proficiency requirements for individuals owning more than 10% of the voting securities of a Dealer Member. The references to voting securities will be changed to "a voting interest of 10% or more in the Dealer Member" to recognize the multiple forms of organization of Dealer Members.

Current Dealer Member Rule section 7.9, to be renumbered 7.7, prohibits Directors and Executives from accepting compensation from anyone other than the Dealer Member or its affiliates or related companies "in connection with the sale or placement of securities on behalf of any of them." The latter reference will be changed to the "securities-related activities of any of them." As the variety of services provided by Dealer Members in relation to securities transactions has broadened, to include such activities as advisory services to issuers and financial planning services to clients, application of the Rules has also broadened to ensure that such activities are conducted and compensated through the Dealer Member. The reference to the placement or sale of securities is therefore narrower than required.

Dealer Member Rule 18

Dealer Member Rule section 18.1 defines "recognized stock exchange" for the purposes of the Rule. The term is not used in the proposed revisions, so the section will be repealed.

Dealer Member Rule section 18.2 contains the requirement for RRs to be Approved. It will be amended as follows:

- It currently prohibits a Dealer Member employing anyone as an RR or IR unless registered by the appropriate SRA and approved by the Corporation. It will be rewritten to prohibit individuals from acting as RRs or IRs unless registered or approved and to eliminate the reference to employment in favour of one to acting on a Dealer Member's behalf, which encompasses both employer/employee and principal/agent relationships.

- References to trading in securities will be amended to add trading in futures contracts.

- The registration requirement will made more explicit by adding that it applies to both the Dealer Member and the individual RR or IR, that it applies in any jurisdiction in which a customer of the Dealer Member or RR resides and that the Dealer Member or individual need not be registered if they are exempt from the jurisdiction's registration or licensing requirements.

- A new subsection (b) will require a Dealer Member to notify the Corporation prior to an IR or RR beginning to conduct any of the following types of business: retail, institutional, mutual funds only, options, futures and portfolio management. This will replace previous requirements to apply for approval in specific categories dealing with each type of business. The types of business are aligned similarly to current categories – related to types of customers, products and services. They are defined to show where an IR or RR is restricted to a particular type of customer or product or can combine multiple types of customer or product.

- A new subsection (c) will prohibit an IR or RR from conducting a type of business and the Dealer Member from permitting him or her doing so before the notice in subsection (b) has been made and notice has been provided to the Corporation that the IR or RR has completed the required proficiencies. The section also notes, for greater clarity, that the initial application for approval of an IR or RR is a form of notice of the types of business listed on the application.

Dealer Member Rule section 18.3 establishes the requirement that RRs and IRs complete the applicable proficiency requirements in Dealer Member Rule 2900. It will be rewritten to note that an exemption is an alternative to completing the proficiency requirement.

The current provision of Dealer Member Rule section 18.3 will be renumbered 18.3(a) and a new subsection (b) will be added containing a new statement of principle regarding proficiency: that a Dealer Member has an obligation to take reasonable steps to ensure that its IRs and RRs are proficient and understand the products they trade in as necessary to meet their regulatory obligations. A similar statement of principle is included in section 4.3 of proposed NI 31-103.

Current Dealer Member Rule sections 18.5 and 18.6 are duplicative. They set out the requirement for a new retail RR or IR to be closely supervised for his or her first six months. Current section 18.5 will therefore be repealed and 18.6 amended as follows:

- The starting date for the supervision will be the date of notification to the Corporation that the person will be conducting retail business. It therefore applies to a person who has previously conducted only non-retail business.

- The revised rule provides an exemption for anyone with six months of prior retail experience.

Dealer Member Rule section 18.7 currently permits RRs or IRs to be restricted to mutual funds only where permitted under Provincial securities laws and regulations. Several SRAs permit RRs and IRs with Dealer Members to be restricted permanently to mutual funds advice and trading. Others require that such persons complete the proficiencies to conduct full retail business within 270 days of initial registration with a Dealer Member. At present, some require that such persons upgrade to unrestricted registration, although the restricted category will no longer be included in proposed NI 31-103.

In order to develop a uniformity of practice across the country, a proposed revision to Dealer Member Rule section 18.7 will add a requirement for IRs and RRs restricted to mutual funds business to complete the necessary proficiency requirements to conduct full retail securities business within 270 days of initial approval, and to complete an upgrade to full retail or institutional business within a 18 months of initial approval. The 18 months provides time to complete the 6 month internal training program required for to conduct full retail business. Thereafter such persons will be required to complete the post-licensing requirements relevant to full retail or institutional business.

Because it would be unfair to force an upgrade on those already employed at Dealer Members who joined them with the intention, compatible with the rules at the time, of limiting their business to mutual funds only, the proposed revisions include a grandfathering provision for those restricted to mutual funds business on the effective date of the proposed amendments who are registered only in Provinces permitting the permanent restriction for employees or agents of Dealer Members.

Dealer Member Rule sections 18.8 and 18.9 establish approval categories that will not longer exist. They will therefore be repealed.

Dealer Member Rule section 18.11 is a statement of the Corporation's jurisdiction over RRs and IRs and their obligation to comply with the Rules and Rulings of the Corporation. It requires that an RR or IR cease acting as an RR or IR of a Dealer Member if their approval is revoked. It will be subdivided and rewritten to eliminate references to employment, since some RRs and IRs are agents rather than employees. However, the import of its provisions remains unchanged.

Dealer Member Rule section 18.13 requires the Corporation to give notice to all recognized stock exchanges and securities commission in Canada of approvals and terminations of approval of RRs and IRs. It has been rendered obsolete by the National Registration Database, to which all SRAs have access, and the transfer of member regulation functions from the stock exchanges to the Corporation. It will therefore be repealed.

Dealer Member Rule section 18.14 governs outside business activities of Approved Persons. Under the proposed rule changes, subsection (b) will be repealed. It requires that a Dealer Member acknowledge in writing its responsibility to supervise RRs or IRs with outside business activities. This section is unnecessary. A Dealer Member's duty to supervise RRs and IRs flows from its general supervision obligations and an acknowledgement is superfluous.

Dealer Member Rule section 18.15 prohibits RRs and IRs from accepting compensation from anyone other than their Dealer Member sponsor or its affiliates or related companies "in connection with the sale or placement of securities on behalf of" the Dealer Member or its affiliates or related companies. The reference to "sale or placement of securities" will be changed to "securities-related activities" so as to capture all activity, such as trading advice and financial planning, that is related to securities advice but is not directly the sale or placement of securities.

Dealer Member Rule section 18.16 limits the use of titles for RRs and IRs. When originally passed it proposed the use of the term "investment advisor" for RR's, but was rejected by some SRAs because of possible confusion with their Advisor registration category. It was then changed to use the terms "registered representative" and "investment representative" but has never been implemented because doing so would cause unnecessary cost and confusion at firms that use other designations. The proposed amendments change the section to a prohibition against using a designation that wrongly indicates that the RR or IR has been approved to or does conduct a type of business or fulfills a role requiring approval by the Corporation. An example would be calling an RR an "investment manager" when the RR is not qualified to manage client portfolios on a discretionary basis.

Dealer Member Rule section 18.17 permits an RR or IR to use a designation for which he or she has been approved under the Rules of the Corporation. The changes to section 18.16 noted above make it redundant and it will be deleted in the proposed amendments.

Dealer Member Rule 20

Dealer Member Rule 20 gives District Councils authority to grant initial Approval of individuals at a Dealer Member and their transfer to another Dealer Member.

Proposed amendments to Dealer Member Rule section 20.18 change the references to categories of approval to the new categories.

Proposed amendments to Rule 38 make appointments to the positions of Ultimate Designated Person, Chief Financial Officer and Chief Compliance Officer subject to Corporation. A proposed amendment to Rule 20.18(1) adds the granting of those approvals to the District Councils' authority.

The proposed amendments also remove references to the power of District Councils to grant applications for transfer. Changes to National Instrument 33-109 which are part of the CSA Registration Reform proposals will make transfers of SRA registration automatic provided that an application for transfer is made within 90 days of the termination of the individual's registration at another registered firm and there is no change of registration category. Proposed amendments to Dealer Member Rule 40 will make Corporation's transfer process consistent with that of the NI 33-109 revisions.

Proposed new section 20.18(3) gives District Councils the explicit authority to place conditions on the current approval of an Approved Person where it finds those conditions to be appropriate and in the interest of the public. This authority was inadvertently taken out of IDA By-law 20 during a previous revision.

The need for the Corporation to have the authority to impose conditions on an Approved Person is increased under the CSA Registration Reform proposals because individual transfers from one Dealer Member to another will be automatic on filing, within 90 days of termination from another Dealer Member, of an application to join a new Dealer Member. The Corporation needs the authority to impose terms and conditions if it discovers from a termination notice regarding a transferred Approved Person that there were problems at a previous firm giving cause to impose a condition such as strict supervision.

The proposed amendment will give a District Council the same authority to delegate the power in section 20.18(3) to a Sub-Committee as it has with the authorities to approve, refuse or impose conditions on an approval application.

A proposed amendment to section 20.19 makes it clear that Corporation staff or the Approved Person involved can appeal any decision under Rule 20.18, including a decision to impose conditions on an existing approval. It has been established through a Hearing Committee decision at the IDA that the individual has a right to be heard when the Registration Staff proposes to recommend conditions on an approval. That right is exercised through an opportunity to make written submissions.

Dealer Member Rule 29

Dealer Member Rule 29 includes a variety of provisions regarding business conduct.

Dealer Member Rule section 29.7 sets content and supervision standards for advertising, sales literature and correspondence of Dealer Members.

Dealer Member Rule sub-section 29.7(3) requires the appointment of partners, directors, officers or branch managers to review certain types of advertising, sales literature and correspondence prior to use. The proposed revisions will require the designation of one or more Supervisors to pre-approval each type of material. More than one Supervisor may be necessary because such material can be issued in multiple locations, to different types of clients and covering different types of products or trading. It is therefore appropriate to allow Dealer Members to appoint different Supervisors to accommodate differences in the material or location.

Dealer Member Rule section 29.27 outlines requirements on Dealer Members to supervise their business activity in a way reasonably designed to achieve compliance with laws and regulations, including the Corporation's, governing their securities and futures business.

The change in the proposed amendments in the direction of a more principles-based approach makes it appropriate to include the broad provisions regarding Dealer Member's compliance and supervision infrastructure in one place. The revisions therefore propose repealing section 29.27 and moving its provisions into an expanded Dealer Member Rule 38, which contains the high-level structural and accountability requirements, including the appointment of the UDP, CFO and CCO and the involvement of the Dealer Member's Board of Directors (or similar body) in its compliance system.

Dealer Member Rule 38

As noted above, the proposal includes the movement of current Dealer Member Rule section 7.5 regarding the Chief Financial Officer and Dealer Member Rule section 29.27 regarding general supervision requirements into Dealer Member Rule 38 to make Rule 38 a general regulation regarding compliance and supervision. The combined rule proposal is reorganized.

Dealer Member Rule 38 contains sections outlining the general duties of the Ultimate Designated Person (UDP) and Chief Compliance Officer (CCO). In order to make the description of the Chief Financial Officer role consistent, a new subsection 38.6(c) is added in the proposed amendments, setting out the general obligation of the Chief Financial Officer to ensure that the Dealer Member monitor adherence to the Dealer Members policies and procedures to provide reasonable assurance that the Dealer Member meets the financial rules of the Corporation.

The proposed changes include the following changes to the requirements currently in Dealer Member Rule section 29.27, both to ensure the adequacy of supervisory records maintained by Dealer Members:

- A provision in Dealer Member Rule subsection 38.1(v) requiring that Dealer Members keep records of the assignment of supervisory responsibility has been changed to include recording of the scope of the responsibility assigned;

- A new Dealer Member Rule subsection 38.4(b)(iv) in the section regarding delegation of functions. It will require that the Dealer Member record the terms of the delegation and the follow-up and review done to ensure that the delegate is properly conducting the delegated function.

A new Dealer Member Rule section 38.3 will establish the requirement from all Supervisors to be Approved by the Corporation. To ensure an onus on all parties, it will prohibit anyone from acting as a Supervisor and a Dealer Member from permitting any person to act as a Supervisor without the approval of the Corporation.

Proposed NI 31-103 limits eligibility for appointment as Ultimate Designated Person (UDP) to the Chief Executive Officer or someone holding a similar position. In order to make Dealer Member Rule 38 consistent with that limit, the proposed amendments will remove from Rule 38 the eligibility of the Chief Operating Officer or Chief Financial Office to occupy the UDP position.

Appointments to the UDP and Chief Compliance Officer (CCO) position are currently done by the Dealer Member with notice to the Corporation. Under proposed NI 31-103 they will be registration categories subject to an application process. As two critical roles in a Dealer Member's compliance system, it is appropriate that those appointed to them go through an application and approval process. The proposal therefore amends Dealer Member Rule 38 to require approval by the Corporation of both the UDP and CCO.

The current requirement is for the CCO to be an Alternate Designated Person (ADP), but the proposed amendments eliminate that category. The proposed amendments will therefore require that the CCO be an Executive.

Although not included explicitly in proposed NI 31-103, the SRAs have indicated that they are prepared to allow a registered firm to have more than one UDP and/or CCO where the firm is separated into distinct businesses having different reporting lines up to the Board level. The proposed amendments will continue to permit the appointment of more than one UDP and CCO under those circumstances, but will make doing so subject to approval by the Corporation so that Corporation and SRA staff can maintain consistency regarding the circumstances in which allowing more than one UDP and/or CCO is permitted.

As noted above, the Alternate Designated Person category is eliminated in the proposed amendments. Current ADPs will become Supervisors. The proposed amendments to current Dealer Member Rule section 38.6, moved in the amendments to section 38.2, will:

- Change the references to ADP to Supervisor.
- Add a general statement that a Dealer Member needs to appoint enough Supervisors to meet the goal of compliance with applicable laws and regulations.
- Add a requirement that the Dealer Member take reasonable steps to ensure that Supervisors understand the businesses they are supervising, including a minimum requirement that they meet the applicable proficiency requirements of Dealer Member Rule 2900.

Current Dealer Member Rule section 38.10 requires that ADPs report to the UDP as necessary. Supervisory structures will vary between firms depending on their size and the nature of their business. While all Supervisors may ultimately report to the UDP, section 38.10 implies a more direct reporting relationship that may be the case or may be necessary. The proposed amendments therefore include the repeal of current section 38.10.

Current Dealer Member Rule section 38.11 requires an annual compliance report to the Board by the CCO. The proposed amendments will add a requirement in Dealer Member Rule subsection 38.7(h), consistent with requirements in proposed NI 31-103, that the CCO have access to the UDP and Board at other times to report significant issues requiring their attention.

A proposed amendment to current Dealer Member Rule section 38.9, renumbered 38.8 in the proposed amendments, will require that the Board of a Dealer Member, or its equivalent, maintain records of the actions it decides to take in response to the annual compliance report and its monitoring to ensure that those actions are carried out.

Dealer Member Rule 40

Dealer Member Rule 40 sets out the requirements for filing of applications for Approval and notices related to Approval or changes in information regarding Approved Persons through the National Registration Database (NRD).

Many of the changes of category under the current rules will become changes of business type under the proposed amendments. They will become matters for filing notice rather than requiring an application and approval. The proposed amendments therefore include additions to Dealer Member Rule section 40.4, which deals with changes of category, to include notification through NRD of changes in business type. The amendments will require Dealer Members to ensure that the Corporation has received notice through NRD that the individual has completed the proficiencies (or received an exemption from them) necessary to conduct the new type of business. In some cases the individual may have completed them in the past, so no new notice will be required. In others the Dealer Member will be required to ensure that a notice that the person has met the proficiency requirements is filed at the same time as the notice of change in business type.

Under the proposed amendments, Dealer Member Rule 4 will no longer contain requirements regarding the approval of branch offices. However, the Corporation will continue to require information on the locations in which a Dealer Member conducts business with the public. Proposed amendments to Dealer Member Rule 40 therefore refer to "business locations" instead of

branch or sub-branch offices and will require that Dealer Members notify the Corporation through NRD of the opening or closing of business locations.

Dealer Member Rule subsections 40.1(17) and (18) and sections 40.10 and 40.13 are transitional provisions. As the transitional phases that they governed are now over, they are no longer necessary and will be repealed by proposed amendments.

Dealer Member Rule 1300

The proposed changes to Dealer Member Rule 1300 presuppose the approval and implementation of the proposed new account application guidelines in Dealer Member Rules 2500, 2700 and 3200 which are currently awaiting CSA approval.

Dealer Member Rule section 1300.2 will be amended to change references to a designated partner, officer or director to a designated Supervisor having overall responsibility for the opening of new accounts. A new subsection will permit a Designated Supervisor for each of retail business, institutional business and suitability-exempt discount business

The current requirements permit branch managers to approve the opening of new accounts. The proposed revisions will change this to Supervisors designated in the firm's policies and procedures. The section will also specify that the approval must be recorded.

The definitions in Dealer Member Rule section 1300.3 of "associate portfolio manager" and "futures contracts portfolio manager" will be repealed as they refer to categories that are being eliminated. The definition of "portfolio manager" will changed to refer to an RR that has discretionary authority over managed accounts. These changes reflect the change from portfolio manager being a separate category to portfolio management being a separate service or type of business that qualified RRs can conduct.

Dealer Member Rule section 1300.4 provides for controls on discretionary accounts. The proposed amendments include a new requirement to designate a Supervisor to be responsible for discretionary accounts, who must approve each discretionary account and record that approval. A proposed amendment to Dealer Member Rule section 1300.6 will place special supervision responsibilities on the Designated Supervisor. Currently no specific supervisor needs to be designated for discretionary accounts; the approval and supervision roles fall to the partner, director or officer designated in Dealer Member Rule section 1300.2 as responsible for the opening and supervision of all accounts. While in some firms one person may be designated to fulfill both roles, it is important that there be specific designation of responsibility for discretionary accounts because of the additional risks of those accounts.

Another addition to Dealer Member Rule section 1300.4 will specify that a representative can only exercise discretionary authority over an account at his or her Dealer Member.

Proposed amendments to Dealer Member Rule subsections 1300.5(e) and 1300.8(d) will eliminate outmoded requirements to use prepaid mail to deliver notices.

A proposed amendment to Dealer Member Rule section 1300.7 governing managed accounts will eliminate a reference to approval of a portfolio manager. The section will continue to refer to "portfolio manager," but will be a defined term in the Rule rather a separate Approval category. A proposed amendment to subsection (c) will require that the approval of managed accounts by a Supervisor be recorded.

Dealer Member Rule sections 1300.9 through 1300.13 provide for portfolio manager categories that are eliminated under the proposed new category structure. They are therefore repealed in the proposed amendments.

References in Dealer Member Rule section 1300.15 to designated partners, officers, directors or futures contract principals will be replaced by the proposed amendments with references to Supervisors.

The current registration categories include "Associate Portfolio manager." An Associate Portfolio Manager must be supervised by a full Portfolio Manager for two years before he or she is eligible to become a full Portfolio Manager. The proposed amendments make portfolio management a service rather than a registration category.

A new Dealer Member Rule subsection 1300.15(c) will replace the Associate Portfolio Manager with a supervision requirement. It will require that a person who has not previously provided portfolio management to clients for at least two years with a Dealer Member, a Provincially registered Advisor or a government-regulated institution (for example a trust company) must be supervised by another portfolio manager who is not under such supervision or by a Provincially registered Advisor under contract. The latter option is necessary because in smaller centres it can be difficult for Dealer Members wanting to provide portfolio management to hire a qualified person to provide the management or supervise those attempting to qualify to provide portfolio management.

Dealer Member Rule section 1300.15 requires a Dealer Member having managed accounts to establish a committee to conduct an annual review of its policies and procedures to supervise managed accounts. An amendment to this provision will require that the Chief Compliance Officer be a member of this committee because of the Chief Compliance Officer's overall responsibility for monitoring the effectiveness of the Dealer Member's policies and procedures.

Dealer Member Rule 1800

The proposed changes to Dealer Member Rule 1800 will change references to futures contracts and futures contracts options principals to Supervisors as the current categories will no longer exist. They will also consolidate the provisions regarding futures contracts and futures contracts options, which are identical, into one section instead of listing the provisions separately with regard to the two products.

Current Dealer Member Rule subsections 1800.2(e)(1) and (f)(1) require that a Dealer Member have at least two people approved to trade, respectively, the futures contracts and futures contracts options available at every office where they are traded. This provision is designed to ensure that, because of the volatility and high leverage of futures contracts and futures contract options, customers can at all times during trading hours get access to a person who can give them advice or take and enter orders.

However, with modern communications systems it is unnecessary that there be two persons physically located in the same office in order to provide the necessary back-up. The proposed revisions will therefore replace the sections with a requirement (in revised Dealer Member Rule subsection 1800.2(e)) that the Dealer Member ensure that clients have access at all times during normal business hours to an IR or RR qualified to trade in or advise on futures contracts or futures contracts options.

Current Dealer Member Rule subsection 1900.2(e) requires the delivery of a disclosure statement regarding options that is in compliance with securities legislation. As the Corporation approves such document as they change, the rule will be amended to refer to a disclosure document approved by the Corporation.

Dealer Member Rule section 1800.5 outlines the supervisory duties of the designated futures contracts principal, a category being eliminated. None of the specific duties varies from general supervisory responsibilities outlined in the proposed amendments to Dealer Member Rule 38 and the specific duties outlined in proposed Dealer Member Rule section 1800.2; therefore section 1800.5 is repealed in the proposed amendments.

Dealer Member Rule section 1800.6 governs suitability requirements in dealings with registered advisers, dealers, acceptable institutions and acceptable counterparties. As these requirements are dealt with in proposed NI 31-103 and Dealer Member Rule 2700, the section is redundant and is repealed in the proposed amendments.

Dealer Member Rule subsection 1800.11(b) requires the retention of completed orders for six years. The proposed revisions change this to seven years to make the requirement consistent with the records retention requirements of NI 31-103.

Dealer Member Rule 1900

Dealer Member Rule 1900 governing options trading will be amended to change references to options approvals. Options activity will be a type of business and involvement in it a matter of notice. Specifically, the amendments will replace references to the "registered options principal," currently an Approval category, with "Supervisor qualified to supervise options trading."

Current Dealer Member Rule subsection 1900.2(e) requires the delivery of a disclosure statement regarding options that is in compliance with securities legislation. As the Corporation approves such documents as they change, the rule will be amended to refer to a disclosure document approved by the Corporation.

Dealer Member Rule section 1900.4 reiterates account opening and supervision requirements covered in Dealer Member Rules 1300, 2500 and 2700. It will therefore be repealed in the proposed amendments.

Dealer Member Rule section 1900.7 states that other Corporation rules regarding trading and advising in securities apply, as appropriate, to options trading and advising. Those rules apply without the need of an additional rule; therefore the section is repealed in the proposed amendments.

Dealer Member Rule 2500

The proposed changes to Dealer Member Rule 2500 will change it from a prescriptive delineation of required structures and procedures for the supervision of retail accounts to principles-based guidelines. However, the structures and procedures established in the current Rule 2500 will continue to work for many multi-branch retail firms. The proposed amendments to Rule 2500 will therefore include the currently prescribed two-tier structure of branch and head office supervision as one that will meet the requirements of the Rule, but not as the only option.

As with the current Rule 2300, the proposed revisions will include reiterations of some of the principles and requirements regarding supervision found in other Rules. Dealer Members have found that including them in one place with the guidelines found only in Rule 2500 make it a more useable resource.

The proposed revisions presume that the repeal of Part VIII – Client Complaints passed by the IDA Board on October 17, 2007 will have been implemented prior to the implementation of the proposed changes.

Dealer Member Rule 2500 -

Introduction

The last paragraph of the introduction will be deleted. It presumes the current prescriptive requirements of Dealer Member Rule 2500, but gives Dealer Members the option of developing alternative supervision systems with the approval of the Corporation. It is no longer applicable because of the change from the prescriptive branch/head office structure to a principles-based approach. Dealer Members will be permitted to develop their own supervisory structures, subject to the principles enunciated in Dealer Member Rule 38 and guidelines in the revised Rule 2500, but will not require advance approval to implement them. Instead, they will be reviewed in operation during business conduct examinations.

Part I – Establishing and Maintaining Procedures, Delegation and Education

A proposed amendment to Dealer Member Rule 2500, Part I, section A.2 will replace a statement that new and amended policies should have senior management approval to a statement with a requirement to have a procedure for approving new policies and procedures. It will state that those have a significant impact on the Dealer Member' compliance system should have senior management approval. This change will give Dealer Members the option of having minor changes approved at lower levels in the organization.

Dealer Member Rule 2500, Part I, section .B.1 requires the maintenance of evidence of account reviews that are part of a Dealer Member's compliance process. Because record-keeping is critical to an effective system and the Corporation's review of the system, the requirements in subsection I.B.1 will be moved into a new record-keeping section: I.F.

The new Dealer Member Rule 2500, Part I, section F adopts the record retention requirement of NI 31-103. Account review records will be considered "activity records" under the terms used in NI 31-103 and must therefore be kept for seven years from the date of creation, in a form in which they can be provided to the Corporation promptly for two years and within a reasonable time for the rest of the retention period.

Proposed Dealer Member Rule 2500, Part I, section C is new. It will provide for a risk-based approach to selecting accounts for review and gives examples of the factors that can be taken into account in a risk-based analysis. The current Rule 2500 uses only commission amount as a basis for account selection. Commission level does not take into account such factors as size of account. The same commission level can mean little for a very large account and a great deal for a small one or one trading in derivatives where the commission may be small in relation to the risk. While not mandatory, a well-designed risk based approach can develop a better focus on accounts requiring review.

Subsections 2 and 3 of the proposed new Dealer Member Rule 2500, Part I, section C establish requirements for a risk-based approach, including documentation of the analytical approach and its consistent application across retail accounts. This does not mean that a Dealer Member will be required to use a single-factor analysis. For example, a Dealer Member might have different analyses or triggers for the review of equities-only or derivatives accounts, but the Dealer Member will be required to apply those analyses or triggers consistently across accounts of a similar type within its analytical framework.

Proposed Subsection 4 of new Dealer Member Rule 2500, Part I, section C is an expansion of current section I.B.3. It will require enhanced supervision of "Approved Persons who have had a history of questionable conduct." The proposed revision adds examples of what should be considered as "questionable conduct."

A proposed change to current Dealer Member Rule 2500, Part I, subsection D.1, renumbered E.1 in the proposed revisions, will change the requirement to provide sales policies and procedures to all sales and supervisory personnel. It will limit the requirement to those policies and procedures relevant to the individual's function. A similar relevance criterion is added to proposed subsection I.E.3 regarding communication of the information contained in compliance-related bulletins. In addition, the proposed revision will explicitly accept access to policies and procedures maintained on electronic systems as one method of providing them, but with the proviso that personnel must be trained on the use of the electronic systems.

Part II – Opening New Accounts

The proposed revisions will change references to account application forms throughout Dealer Member Rule 2500 by dropping the word "forms" to recognize that account applications are frequently completed electronically. They will also change references to "branch manager" to "Supervisor."

The proposed amendments to Dealer Member Rule 2500, Part II contain a new paragraph in the introduction referring to gatekeeper obligations. It will explicitly require Dealer Members to ensure that their know-your-client procedures are directed at meeting gatekeeper obligations by identifying clients that present a high risk to the Dealer Member or the securities markets. It also makes reference to anti-money laundering and terrorist financing requirements, one important and specific type of gatekeeper obligation to which Dealer Members are subject.

Current Dealer Member Rule 2500, Part II, section A.1 requires that a Dealer Member complete a New Account Application Form for each account. A proposed revision will change the requirement to completing an account application for each customer. The proposed revision will make it clear that an additional application will not have to be completed if the same customer opens another account, unless a separate application is specifically required.

A proposed amendment to Dealer Member Rule 2500, Part II, subsection A.2 on approval of new accounts adds a new requirement to restrict a new account to liquidating trades if an account application received for approval after the first trade is not fully completed. The Corporation staff believes that this is a necessary control to prevent ongoing trading by accounts that have not been properly documented and approved. It is consistent with a revision to the anti-money laundering rules that prohibits a Dealer Member from trading for a new client until the client's identity has been verified.

Dealer Member Rule 2500, Part II, subsection A.4 currently requires that the RR maintain a copy of the new account forms of his or her clients. A proposed amendment will modernize the requirement by stating that this requirement can be met by maintaining the information on the form in an electronic form accessible to the RR.

Dealer Member Rule 2500, Part II, subsection A.5 requires RRs to update new account information when there is a material change. Proposed amendments will specify controls on the processes for updating information that the Corporation already requires Dealer Members to implement as part of a proper internal control system. These are:

- Restricting access to electronic systems containing customer information so that it is not changed without proper approval, currently required in subsection II.C.1, and

- Having procedures independent of the RR to verify material changes in customer information such as change of address, financial situation, investment objectives or risk tolerance.

Proposed new Dealer Member Rule 2500, Part II, subsection B.2 will support client agreement requirements found elsewhere in the rules in terms of a requirement to have systems and procedures to prevent trading before the required agreements have been obtained from the client.

Part III – Account Supervision Generally [New]

Proposed Dealer Member Rule 2500, Part III is a new section that will provide guidance on determining how to meet the general supervision requirements in proposed Dealer Member Rule section 38.1. It encapsulates the considerations informing the current prescriptive requirements and includes guidelines on supervision of retail business in locations remote from Head Office. The guidance applies to supervision of trading in all instruments.

Dealer Member Rule 2500, Part III, section A sets out guidelines for establishing a supervisory structure:

- Taking all necessary factors into account in designing a supervisory structure and appointing supervisors.

- Ensuring proper supervision of remote business locations through the assignment of a specific Supervisor, an analysis of the need for a resident Supervisor and, where there is no resident Supervisor, the necessity for periodic visits to the location by the assigned Supervisor.

- Independent supervision of a Supervisor's handling of his or her own client accounts;

- Ensuring that a Supervisor with other duties devotes sufficient time and attention to Supervision.

- Ensuring that Supervisors are qualified to supervise trading in all products and provision of all services by those under his or her Supervision. The guideline notes that it is possible to split supervisory duties provided there is adequate

communication between the Supervisors involved, an overall view of the client's situation and clear assignment of responsibilities.

- Ensuring that Supervisors have the necessary information.
- Ensuring proper back-up during a Supervisor's absence.
- Providing oversight to ensure that Supervisors are properly fulfilling their assigned roles.
- Ensuring that Supervisors have the necessary authority to take appropriate remedial action. This provision notes that escalation to a more senior Supervisor or Executive is an acceptable form of action.

Dealer Member Rule 2500, Part III, section B sets out guidelines regarding supervision of retail account activity including possible methods of conducting reviews and the scope of matters to be looked for.

Part IV – Two-Tier Supervision

Dealer Member Rule 2500 currently prescribes a two-tier system of supervision requiring Branch Office (Part III) and Head Office (Part IV) daily and monthly reviews of account activity. While its current form is not in keeping with a more principles-based approach to supervision, it is a good system that many Dealer Members may wish to keep. The proposed amendments therefore retain in large part Parts III and IV so that those firms that choose to retain such a system have assurance that it continues to meet the requirements of the Corporation. The two parts are conjoined in a new Part IV and revised to refer to first and second level reviews rather than branch and head office reviews.

The proposed Dealer Member Rule 2500, Part IV is less prescriptive. The introduction notes, for example, that the first level review can be conducted by head office or on a regional basis. The sections on selecting accounts for monthly review allow for alternative selection criteria, while leaving the current prescribed criteria as one choice that meets the guidelines.

Part V – Option Account Supervision

Proposed revisions to Dealer Member Rule 2500, Part V will remove references to the category Designated Registered Options Principal, which will be merged into the general Supervisor category. It will introduce the term "Designated Options Supervisor" for ease of reference to the Supervisor required to be designated in the proposed revisions to Dealer Member Rule section 1900.2.

Current Dealer Member Rule 2500, Part V, subsection A.4 notes that the DROP must indicate trading restrictions on the option account application form. The proposed revision will remove the reference to the DROP and expand on the nature of these restrictions, giving as their purpose the prevention of the use of strategies that are not in keeping with the customer's investment objectives or risk tolerance.

The proposed revision is less prescriptive than the current version, permitting a Dealer Member to develop its own criteria to select activity for review. However, with one exception it adopts the current criteria for branch and head office reviews as meeting the requirements of the Rule. The exception is the selection of accounts for monthly review. At present Part V permits use of the same criteria as for head office review of non-options accounts. Because of the high leverage of options, the commission-level criteria may not be appropriate for accounts that concentrate in options trading and the proposed revision therefore suggests the development of alternate criteria for such accounts.

Current Dealer Member Rule 2500, Part V, section D requires the involvement of the DROP in establishing specific procedures related to options accounts. The section has been rewritten in the proposed revisions to require implementation of the same procedures without specific prescribing that the designated options supervisor be responsible for the conduct of those procedures.

Part VI – Futures/Futures Options Account Supervision

Proposed amendments to Dealer Member Rule 2500, Part VI will remove references to the category Designated Registered Futures Principal, which will be merged into the general Supervisor category. The proposed amendments introduce the term "Designated Futures Supervisor" for ease of reference to the Supervisor required to be designated in Dealer Member Rule section 1800.2.

Dealer Member Rule 2500, Part VI, subsection A.5 currently requires that the DRFP indicate trading restrictions on the futures account application form. The proposed amendments will remove the reference to the DRFP and expand on the nature of those restrictions, giving as their purpose the prevention of the use of strategies that are not in keeping with the customer's investment objectives or risk tolerance.

New Dealer Member Rule 2500, Part VI, subsection A.5 will expand on requirements regarding loss limits. Current Dealer Member Rule 2500, Part VI, subsection B.1 requires supervisors to look for cumulative losses exceeding the customer's stated risk capital. However, some Dealer Members do not have systems that can track cumulative losses beyond a year. In those cases, Dealer Members have adopted an annual risk limit, to be updated annually taking into account any losses during the previous year. This alternative approach will be recognized in the new section.

Current Dealer Member Rule 2500, Part VI contains no specific criteria establishing what must be reviewed at the branch or head office or for selecting accounts for review. The proposed amendments will require a system reasonably designed to detect improper activity, and will include the current list of examples of improper activity that supervision should identify

Current Dealer Member Rule 2500, Part VI, section C requires the involvement of the DRFP in establishing specific procedures related to discretionary futures accounts. The proposed amendments will require implementation of the same procedures without prescribing the Designated Futures Supervisor's role in the regular conduct of those procedures. It will also be expanded to include other necessary procedures, generally parallel to those in Part V on options, re-named "Other Futures Policies and Procedures."

Part VII – Discretionary Account Supervision

The proposed amendments to Dealer Member Rule 2500, Part VII eliminate references to categories being eliminated.

Current Dealer Member Rule 2500, Part VII includes both discretionary and managed accounts. However, Dealer Member Rule 2500, Part VII, section E on managed accounts is solely a reiteration of the requirements of Dealer Member Rule 1300. The proposed revisions will therefore delete section VII.E and deal solely with discretionary accounts.

Current Dealer Member Rule 2500, Part VII, section A.3 states that an Approved Person cannot have discretionary authority over an account anywhere else than at his/her Dealer Member. This provision is in place in Dealer Member Rule 1300 and follows from registration requirements, so will be deleted.

A proposed new Dealer Member Rule 2500, Part VII, section A.3 will require that discretionary accounts be identified in a Dealer Member's books and records in a manner that ensures they can be supervised. It will not prescribe the method used. This proposed requirement flows out of supervisory necessities in any event, but has been an occasional point of contention during business conduct examinations and will therefore be added for clarity.

Dealer Member Rule 2700

Several proposed amendments to Dealer Member Rule 2700 are technical. One will remove a reference to Dealer Member Rule section 29.27, which under the proposed amendments will become part of Dealer Member Rule 38. Two others will replace references to partners, directors or officers with references to Supervisors.

The proposed amendments will delete the definition of "Institutional Customer" in Dealer Member Rule 2700 as it will be added to Dealer Member Rule section 1.1.

Proposed National Instrument 31-103 contains a definition of and suitability exemption regarding "permitted clients." It contains the same general suitability exemption regarding trades for financial institutions and other registered entities as currently included in Dealer Member Rule 2700, but adds a suitability exemption for other "permitted clients" that sign a suitability waiver. A proposed amendment to Rule 2700 will include the suitability waiver approach for "permitted clients" as defined in NI 31-103, other than:

- those to which the exemption for financial institutions and dealers already applies, and
- individuals. Proposed NI 31-103 includes some individuals in the definition of "permitted client" based on an asset test, whereas the definition of "institutional customer" in current Dealer Member Rule 2700, proposed to be moved into Dealer Member Rule section 1.1, excludes individuals.

The Corporation staff does not believe that it is appropriate to grant a suitability waiver option to individuals.

Dealer Member Rule 2900, Part I

The proposed amendments to Dealer Member Rule 2900, Part I include technical amendments such as the replacement of the term "registered" with "approved" and of "Canadian Securities Institute" with "CSI Global Education Inc." They will not change the proficiency requirements except where specifically noted below, but will change references to how the requirements apply that mirror the changes in the category structure. For example, the proficiency requirements currently referring to portfolio

managers in the current Dealer Member Rule 2900, Part I refer in the proposed amendments to Representatives who conduct discretionary portfolio management.

Currently Dealer Member Rule 2900, Part I, section A.1 deals with branch managers and sales managers. Under the proposed amendments it will apply to Supervisors who supervise Approved Persons. It will retain the specific course requirements related to different kinds of business, which will be moved into the section on Supervisors from the current product-related sections. It will remove the requirement for Supervisors of branches in which options business is conducted to do the proficiencies for options supervision. This change will permit Dealer Members to develop alternative means of supervising options business where a resident Supervisor is not qualified to supervise it, subject to the general provisions of Dealer Member Rule 2500 regarding supervisory systems.

The proposed amendments will make Dealer Member Rule 2900, Part I, section A.2 applicable only to Directors and Executives, not to all partners and officers. The section will continue, with appropriate reference changes, to make it clear that Directors and Executives must also meet the proficiency requirements for other approved positions they hold, including RR or IR for trading or advising customers and Supervisor for directly supervising others. The Director and Executive categories deal solely with the overall management of the firm.

Proposed amendments to Dealer Member Rule 2900, Part I, section A.6 regarding portfolio managers will remove the current requirements for the current associate portfolio manager categories. As noted above, the category will be replaced by a supervision requirement in revised Dealer Member Rule 1300.15(c).

Rule 2900, Part II

Dealer Member Rule 2900, Part II on course and examination exemptions has been rewritten extensively in the proposed amendments without changing its requirements. The most significant change is to the re-writing requirements, in the form of the reduction of an exhaustive list of categories with numerous exemptions for current and re-applying Approved Persons to two general requirements in proposed part A. In summary, the courses of a person who has been Approved in a category under the current categories, or conducted a type of business under the new approach, will remain valid for three years after their approval lapses or they cease to do the type of business.

If a person completes required courses but never obtains approval in a category or, in the new system, does the type of business, the course validity will expire after two years.

A new general exemption is proposed for both the writing and re-writing sections of Dealer Member Rule 2900, Part II. It will exempt Approved Persons from having to fulfill new requirements not in place when they were approved unless the rule implementing the change specifically requires them to do so. This is necessary so that every course change is not applied to those who are already qualified to do the type of business or hold the category covered by the change. It will also exempt applicants whose approval has lapsed but are re-applying for approval while their previous courses are still valid under the re-write requirements. This will not change the current requirements.

B Comparable Rules in Other Jurisdictions

The proposed rules are designed to conform to the rules and principles of the Registration Reform Project and particularly NI 31-103. Rules in other jurisdictions including Australia, the United Kingdom and the United States were reviewed and considered in developing the CSA Registration Reform Proposals. They were not considered further in developing the IIROC rule proposals, which do not deviate from the principles of the larger project.

C Alternatives Considered

No other alternatives were considered.

D Systems Impact of the Amendments

Implementation of the proposed amendments will require changes to the NRD System. These changes are under development by the NRD operator in coordination with the changes necessary to implement NRD changes related to the CSA Registration Reform Project.

E Public Interest Objective

IIROC has determined that the proposed amendments are Public Comment Rule changes.

According to the Joint Rule Review Protocol for IIROC (the “Protocol), forming part of the Memorandum of Understanding regarding oversight of IIROC, the Corporation must provide “a concise statement, together with supporting analysis, of the

nature, purpose and effect of the proposed Rule." Statements have been made elsewhere as to the nature and effects of the proposed Rule, as well as analysis. The purposes of the proposed Rule are to:

- promote the protection of investors;
- foster fair, equitable and ethical business standards and practices;
- promote just and equitable principles of trade and the duty to act fairly, honestly and in good faith; and
- prevent fraudulent and manipulative acts and practices.

The proposed Rule does not impose any burden or constraint on competition or innovation that is not necessary or appropriate in furtherance of IIROC's regulatory objectives. It does not impose costs or restrictions on the activities of market participants that are disproportionate to the goals of the regulatory objectives sought to be realized.

F Anticipated Effective Date

IIROC anticipates that the proposed Rule will be made effective on the same date as National Instrument 31-103 and the related changes to implement the CSA Registration Reform Project. The coordination of the two sets of changes is necessary because of the significant changes in the NRD System that must be made at the same time.

III COMMENTARY

A Filing In Other Jurisdictions

The proposed Rule amendments will be filed with each of IIROC's Recognizing Regulators, in accordance with s.3 of the Protocol.

B Effectiveness

The proposed Rule amendments should be effective in ensuring Dealer Members meet minimum standards in relation to the proficiency and supervision of Approved Persons and in ensuring that they meet their obligations under the IIROC Rules and other laws and regulations affecting the conduct of their securities-related business.

C Process

The proposed Rule amendments were developed by IIROC staff after initial discussions with District Councils, the Compliance and Legal Section and the Private Client Advisory Committee. They were reviewed in draft by and technical changes were made after comments by District Councils, a special task committee of the Compliance and Legal Section and the Private Client Advisory Committee.

IV SOURCES

References:

- Proposed National Instrument 31-103, Companion Policy 31-103CP and related amendments to National Instrument 31-102 and 33-109.
  http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part3/rule_20080229_31-103_rfc-reg-req.pdf
- IIROC Dealer Member Rules 1, 4, 7, 18, 20, 29, 38, 40, 1300, 1800, 1900, 2500, 2700 and 2900
  http://iiroc.knotia.ca/Knowledge/Browse/BrowseToc.cfm?kType=445&nc=12175786428220080624

V REQUIREMENT TO PUBLISH FOR COMMENT

IIROC proposes to publish for comment the accompanying proposed amendments. The IIROC Board has determined that the proposed amendments would not be contrary to the public interest. Comments are sought on the proposed amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Larry Boyce, Vice-President, Business Conduct Compliance, Investment Industry Regulatory Organization of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IOROC website (**www.iiroc.ca)** under the heading “IIROC Rulebook - Dealer Member Rules - Policy Proposals and Comment Letters Received”).

Questions may be referred to:

Larry Boyce
Vice-President, Business Conduct Compliance
Investment Industry Regulatory Organization of Canada
(416) 943-6903
lboyce@iiroc.ca

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
AMENDMENTS TO IMPLEMENT THE REGISTRATION REFORM PROJECT

BOARD RESOLUTION

THE BOARD OF DIRECTORS of the Investment Industry Regulatory Organization of Canada hereby makes the following amendment to the Rules and Forms of the Corporation:

1. Dealer Member Rule 1 is amended by:

(a) Repealing the definitions of the terms "Designated Person", "Officer", "Sales Manager", "Senior Officer" and "Sub branch Office" in section 1.1.

(b) Repealing and replacing the definitions of the terms "Investment Representative" and "Registered Representative" in section 1.1 with the following:

> "Investment Representative" means a partner, director, officer, employee or agent of a Dealer Member who trades in but does not advise on an investment product on behalf of the Dealer Member;
>
> "Registered Representative" means a partner, director, officer, employee or agent of a Dealer Member who trades and advises on trades in an investment product on behalf of the Dealer Member;

(c) Enacting definitions for the terms "Business Location", "Designated Supervisor", "Director", "Executive", "Institutional Customer", "Retail Customer" and "Supervisor" in alphabetical order in section 1.1 as follows:

> "Business Location" means a physical location at which any employee or agent of a Dealer Member conducts on a regular and ongoing basis business requiring approval of the Corporation or registration under Provincial securities legislation;
>
> "Designated Supervisor" means a Supervisor designated by a Dealer Member as having responsibility to fulfill a supervisory role defined in a Rule, including but not limited to:
>
> (1) the Supervisor designated to be responsible for the opening of new accounts and the supervision of account activity under Rule 1300.2
>
> (2) the Supervisor designated to be responsible for the supervision of discretionary accounts under Rule 1300.4
>
> (3) the Supervisor designated to be responsible for the supervision of managed accounts under Rule 1300.15
>
> (4) the Supervisor designated to be responsible for the supervision of options accounts under Rule 1800.2(a)
>
> (5) the Supervisor designated to be responsible for the supervision of futures contract accounts under Rule 1900.2
>
> (6) the Supervisor or Supervisors designated to pre-approve advertising, sales literature and correspondence, including research reports, under Rule 29.7(3) and Rule 3400, Guideline 7;
>
> "Director" means a member of the Board of Directors of, as the context dictates, a Dealer Member or the Corporation or a person performing a similar function in a Dealer Member that is not a corporation;
>
> "Executive" means a partner, director or officer of a Dealer Member who is involved in the management of the Dealer Member, including but not limited to anyone fulfilling the role of chair or a vice-chair of the Board of Directors, chief executive officer, president, chief administrative officer, chief financial officer, chief compliance officer, member of an executive management committee or any position designated by a Dealer Member as being an Executive position;

"Institutional Customer" means:

(1) An Acceptable Counterparty (as defined in Form 1);

(2) An Acceptable Institution (as defined in Form 1);

(3) A Regulated Entity (as defined in Form 1);

(4) A Registrant (other than an individual registrant) under securities legislation; or

(5) A non-individual with total securities under administration or management exceeding $10 million;

"Retail Customer" means a customer of a Dealer Member that is not an institutional customer;

"Supervisor" means a person to whom a Dealer Member has given responsibility and authority and who is approved by the Corporation to manage the activities of other partners, directors, officers, employees or agents of the Dealer Member so as to ensure their compliance with laws and regulations governing their and the Dealer Member's securities-related activities;

(d) Enacting new section 1.3 as follows:

1.3 Where the context indicates, references to a Dealer Member include the partners, directors, officers, employees and agents of the Dealer Member.

(e) Renumbering sections 1.3 through 1.5 as sections 1.4 through 1.6.

2. Dealer Member Rule 4 is repealed and replaced by:

RULE 4

BUSINESS LOCATIONS

4.1. Every Business Location of a Dealer Member in a District having a Supervisor who is normally present at the Business Location is a Branch Office Member of the District.

4.2. There is no Membership or other fees for Branch Office Membership.

4.3. A Branch Office Member has the same privileges in its District as any other Branch Office Member except that at a District meeting each Dealer Member has only one vote no matter how many Branch Office Members it has in the District.

4.4. The representative of any Branch Office Member in any District is eligible for election as Chair or member of the District Council of the District.

4.5. Each Branch Office Member may send one or more representatives to the Annual Meeting of the District.

4.5A. Repealed.

4.6. A Dealer Member must notify the Corporation in accordance with Rule 40 of the opening or closure of a Business Location.

4.7. Repealed.

4.7A. Repealed.

4.8. Repealed.

4.9. Repealed.

4.9A. Repealed.

4.10. Repealed.

4.11. Repealed.

4.12. Repealed.

4.13. Repealed.

4.14 Repealed.

3. Dealer Member Rule 7 is repealed and replaced by:

RULE 7

DEALER MEMBER DIRECTORS AND EXECUTIVES

7.1 Definitions

For the purposes of this Rule 7, "actively engaged in the business of the Dealer Member" means, participating in any regular business activities of the Dealer Member including but not limited to trading in securities or futures contracts and related services, research, investment banking, operations or promotion of the Dealer Member's services, but shall not include participation in meetings of the board of directors or related corporate governance committees of the board of directors or occasional referrals to the Dealer Member where such referrals do not result from solicitation of business on behalf of the Dealer Member.

7.2 Approval

No person may be a Director or Executive of a Dealer Member unless that person has been approved as such by the Corporation.

7.3 Directors

(a) At least 40% of the Directors of a Dealer Member must:

(1) Either:

(A) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,

(B) Occupy positions at related or affiliated securities dealers or affiliated financial institutions that a equivalent to that of a Director or Executive;

and

(2) Have satisfied the applicable proficiency requirements in Rule 2900, Part I.A(2); and

(3) Have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.

(b) The remaining Directors, if actively engaged in the business of the Dealer Member or a related company of the Dealer Member must have the qualifications described in paragraphs 7.3(a) (1) and (2).

7.4 Executives

(a) All of the officers of a Dealer Member must:

(1) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,

(2) Be Executives or Directors of related or affiliated securities dealers, or affiliated financial institutions; and

(3) Have satisfied the applicable proficiency requirements outlined in Rule 2900, Part I.A(2);

(b) Not less than 60% of the Executives of a Dealer Member must have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.

7.5 Exemptions

The applicable District Council may grant an exemption, in whole or in part, from any requirement under Rules 7.3 and 7.4, where it is satisfied that to do so would not be prejudicial to the interest of the Dealer Member, its clients, the public or the Corporation and, in granting such an exemption, it may impose such terms and conditions as it considers necessary.

7.6 Persons Owning or Controlling a Significant Equity Interest in a Dealer Member

(a) Any Director of a Dealer Member who directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more must have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a);

(b) Any person other than a Director, who is actively engaged in the business of a Dealer Member and directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more must have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a).

7.7 Remuneration of Directors and Executives

No Director or Executive of a Dealer Member shall accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, benefit or any other consideration from any person other than the Dealer Member, its affiliates or related companies, in respect of the activities carried out by the Director or Executive on behalf of the Dealer Member, its affiliates or related companies in connection with the securities-related activities of any of them.

7.8 Jurisdiction

Every person whose application for approval as a Director or Executive of a Dealer Member has been accepted is subject to the jurisdiction of the Corporation, must comply with the Rules of the Corporation as they are from time to time amended or supplemented and, if such approval is subsequently revoked, must forthwith terminate his or her relationship as a Director or Executive with the Dealer Member in respect of which he or she is approved at the time of such revocation.

7.9 Late Filing Fees re Executive and Directors

A Dealer Member is liable for and must pay the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member to file within ten business days after the end month a report in writing with respect to the conditions imposed on approval or continued approval of a Director or Executive of the Dealer Member pursuant to Rule 20.

4. Dealer Member Rule 18 is repealed and replaced by:

RULE 18

REGISTERED REPRESENTATIVES AND INVESTMENT REPRESENTATIVES

18.1. Repealed.

18.2. (a) No person may act and no Dealer Member may permit any person to act as a registered representative or investment representative on behalf of the Dealer Member unless:

(i) The Dealer Member is registered or licensed to trade, as the case may be, in securities or futures contracts under the statutes relating to the sale of securities or futures contracts in all jurisdictions in which customers of the Dealer Member reside or is exempt from the registration or licensing requirements under those statutes;

(ii) The person is registered or licensed to trade, as the case may be, in securities or futures contracts under the statutes relating to the sale of securities or futures contracts in all jurisdictions in which customers of the person reside or is exempt from the registration or licensing requirements under those statutes; and

(iii) The Corporation has approved the person as a Registered Representative or Investment Representative under this Rule.

(b) A Dealer Member must notify the Corporation of the types of businesses which a Registered Representative or Investment Representative will conduct, as follows:

(i) **Customer Type:** the types of customers the Registered Representative or Investment Representative will deal with, either:

A. retail business – taking orders from or giving advice to all types of customers regarding trades in securities, or

B. institutional business – restricted to taking orders from or giving advice to institutional customers

(ii) **Product(s):** the types of financial instruments in which the Registered Representative or Investment Representative will deal, being:

A. restricted to mutual funds, Government or Government-guaranteed debt instruments and deposit instruments issued by a federally-regulated bank, trust company, credit union or caisse populaire, excluding those on which all or part of the interest or return is indexed to the performance of another financial instrument or index

B. general securities business, including equities, fixed income and other investment products other than options or futures

C. options business

D. futures contracts and futures contracts options

(iii) **Portfolio Management**: whether the Registered Representative will engage in discretionary portfolio management under the provisions of Rule 1300.

(c) A person may not conduct on behalf of a Dealer Member and a Dealer Member may not permit a person to conduct on its behalf a type of business described in (a) unless the Dealer Member has notified the Corporation:

(i) that the person will conduct the type of business; and

(ii) that the person has completed the proficiencies required to conduct the type of business as specified in Rule 2900, Part I within the proficiency time limits specified in Rule 2900, Part II.

For the purposes of this subsection (c), an application to the Corporation for initial Approval is notice that the person will conduct the types of business identified in the application.

18.3. (a) An applicant for approval as a Registered Representative or Investment Representative must complete or obtain an exemption from the applicable proficiency requirements in Rule 2900, Part I, section A.3(a) before the Corporation will grant approval.

(b) A Dealer Member must take reasonable steps to ensure that all of its Registered Representatives and Investment Representatives are proficient and understand the products they trade in or advise on to a sufficient degree to meet the requirements of the Rules of the Corporation. At a minimum, the Dealer Member must ensure that all Registered Representatives and Investment Representatives meet the applicable proficiency requirements of Rule 2900.

18.4. The Approval of a Registered Representative is suspended automatically if the person fails to satisfy the requirement in paragraph A.3(b) of Part I of Rule 2900 until the person has satisfied the requirement.

18.5. Repealed.

18.6. (a) A Dealer Member must closely supervise a Registered Representative or Investment Representative who conducts retail business in accordance with the "Registered / Investment Representative Monthly Supervision Report" as specified by the Corporation for a period of six months after the Corporation is notified that the person will deal with retail customers. The Dealer Member must keep this report for inspection by the Corporation.

(b) Subsection (a) does not apply if:

(i) the Registered Representative was previously approved for six months or more to advise on trades for retail customers for a securities firm which is a member of a self-regulatory organization or a recognized foreign self-regulatory organization; or

(ii) the Investment Representative was previously approved for six months or more to advise on trades or to trade for retail customers for a securities firm which is a member of a self-regulatory organization or a recognized foreign self-regulatory organization;

18.7. (a) A Registered Representative or Investment Representative qualified to conduct mutual funds business only must:

(i) within 270 days of initial approval, complete the proficiency requirements in Rule 2900, Part I, sections A.3(a)(i)(A) and (B); and

(ii) within 18 months of initial approval, complete the training programme required under Rule 2900, Part I, section A.3(a)(i)(C).

(b) A Dealer Member must notify the Corporation:

(i) when a Registered Representative or Investment Representative restricted to mutual funds business only has completed the requirements in each of subsections (a)(i) and a(ii); and

(ii) within 18 months of initial approval, that the Registered Representative or Investment Representative will conduct either retail or institutional business without restriction to mutual funds.

(c) Subsections (a) and (b) do not apply to a Registered Representative or Investment Representative who was restricted to mutual funds only on the date on which this section becomes effective and who is registered only in Provinces in which a restriction on an Investment Representative or Registered Representative with a Dealer Member to mutual funds business only complies with the securities legislation, rules and policies of the Province.

18.08. Repealed.

18.09. Repealed.

18.10. Repealed.

18.11. (a) A Registered Representative or Investment Representative of a Dealer Member is subject to the jurisdiction of the Corporation, must comply with the Rules and Rulings of the Corporation as the same are from time to time amended or supplemented.

(b) If the approval of a Registered Representative or Investment Representative is revoked, the Registered Representative or Investment Representative must immediately cease acting as a Registered Representative or Investment Representative of his or her Dealer Member.

18.12. Repealed.

18.13. Repealed.

18.14. A Registered Representative or Investment Representative may have, and continue in, another gainful occupation if:

(a)

(i) Either the Registered Representative's or Investment Representative's other gainful occupation is in a remote area where there is no office of a broker or dealer in securities and the Registered Representative's or Investment Representative's activities as such are limited to such remote area in which he or she resides; or

(ii) The securities commission in the jurisdiction in which the Registered Representative or Investment Representative acts or proposes to act as a Registered Representative or Investment Representative, or the securities legislation or policies administered by such securities commission, specifically permit him or her to devote less than his or her full time to the securities business of the Dealer Member employing him or her; and

(b) Repealed.

(c) The Dealer Member establishes and maintains procedures acceptable to the Corporation to ensure continuous service to clients and to address potential problems of conflict of interest; and

(d) Any other occupation of the Registered Representative or Investment Representative is not

(i) One which would bring the securities industry into disrepute; or

(ii) With another Dealer Member of a recognized self-regulatory organization unless

(1) Such Dealer Member is a related company of the Dealer Member employing the registered representative or investment representative and the Dealer Member and related company provide cross-guarantees pursuant to Rule 6.6, and

(2) Such dual employment is not contrary to the provisions of the applicable securities legislation or any policy made pursuant thereto.

18.15. No Registered Representative or Investment Representative may accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, benefit or any other consideration from any person other than the Dealer Member or its affiliates or related companies, for the securities-related activities her or she conducts on behalf of the Dealer Member or its affiliates or its related companies.

18.16. No Dealer Member shall permit a Registered Representative or Investment Representative to use a designation when dealing with the public that wrongly indicates that he or she conducts or has been approved by the Corporation to conduct a type of business or fulfils or has been approved by the Corporation to fulfil a role.

18.17. Repealed.

18.18. Each Dealer Member is liable for and must pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member to file within ten business days of the end of each month a report with respect to the conditions imposed under Rule 20 on the approval or continued approval of a Registered Representative, or Investment Representative of the Dealer Member pursuant to Rule 20.

5. Dealer Member Rule section 20.18 is repealed and replaced by:

20.18 Powers of District Council

(1) The District Council shall have the power, which it may delegate to a Sub-Committee of the District Council comprised of three industry members or to Corporation Staff, to:

(a) approve an application for approval as a:

(i) Supervisor under Rule 4,

(ii) Director or Executive under Rule 7,

(iii) Registered Representative or Investment Representative, under Rule 18,

(iv) Ultimate Designated Person, Chief Financial Officer or Chief Compliance Officer under Rule 38, or

(v) trader under Rule 500.

(2) The District Council shall have the power, which it may delegate to a Sub-Committee of the District Council, pursuant to subsection (1), to:

(a) approve an application for approval referred to in Rule 20.18(1)(a) subject to such conditions as may be considered just and appropriate;

(b) refuse an application for approval referred to in Rule 20.18(1)(a), if in its opinion:

(i) the Applicant does not meet any requirements prescribed by the Rules or Rulings;

(ii) the Rules and Rulings of the Corporation will not be complied with by the Applicant;

(iii) the Applicant is not qualified for approval by reason of integrity, solvency, training or experience; or

(iv) such approval is otherwise not in the public interest.

(3) The District Council shall have the power, which it may delegate to a Sub-Committee of the District Council, pursuant to subsection (1), to impose such conditions on the continued approval of an Approved Person as the District Council considers appropriate and in the public interest.

6. Dealer Member Rule section 20.19 is repealed and replaced by:

20.19 Review Hearings

(1) Corporation Staff or the Applicant may request a review of a decision under Rule 20.18 by a Hearing Panel within ten business days after release of the decision.

(2) If a review is not requested within ten business days after release of the decision, the decision under Rule 20.18 becomes final.

(3) No member of a District Council who has participated in a decision under Rule 20.18 shall participate on the Hearing Panel.

(4) A review hearing held under this Part shall be held in accordance with the Corporation Practice and Procedure.

(5) The Hearing Panel may:

(a) affirm the decision;

(b) quash the decision;

(c) vary or remove any terms and conditions imposed on approval;

(d) limit the ability to re-apply for approval for such period of time as it determines just and appropriate; and

(e) make any decision that could have been made by the District Council pursuant to Rule 20.18.

(6) No appeal shall be available from the decision of the Hearing Panel.

7. Dealer Member Rule 29 is amended by:

(a) Repealing and replacing sections 29.5 and 29.6 with the following:

29.5. Every director of a corporation any of whose securities are held by the public has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it. Except to the extent referred to in the third paragraph of this Rule 29.5, a director is not released from the necessity of keeping information of this character to himself or herself until there has been full public disclosure of such information, particularly when the information might affect the market price of the corporation's securities. Any director of such corporation who is also a Director, Executive or Employee of a Dealer Member should recognize that his or her first responsibility in this area is to the public corporation on whose board he or she serves and that he or she must, except to the extent referred to in the third paragraph of this Rule 29.5, meticulously avoid any disclosure of inside information to the Directors, Executives, employees, customers, or research or trading departments of the Dealer Member.

Where a representative of a Dealer Member is not a director of a corporation but is acting in an underwriting or advisory capacity to such corporation and is discussing confidential matters, his or her responsibilities regarding disclosure are the same as those that would apply if such representative were a director of such corporation.

With reference to the two preceding paragraphs of this Rule 29.5, a Director or a representative, as the case may be, of a Dealer Member may consult with other personnel of the Dealer Member if a matter requires such consultation but in this event adequate measures should be taken to guard the confidential nature of the information to prevent its misuse within or outside the organization of the Dealer Member and the responsibilities of any such other personnel regarding disclosure are the same as those that would apply if such personnel were directors of the relevant corporation.

29.6. No Dealer Member or any Director, Executive or employee or shareholder of a Dealer Member shall give, offer or agree to give or offer, directly or indirectly, to any partner, director, officer, employee, shareholder or agent of a customer, or any associate of such persons, a gratuity, advantage, benefit or any other consideration in relation to any business of the customer with the Dealer Member, unless the prior written consent of the customer has first been obtained.

(b) Repealing and replacing section 29.7 (3) with the following:

29.7 (3) The policies and procedures referred to in subsection (2) may provide that such review and supervision will be done by pre-use approval, post use review or post use sampling, as appropriate to the type of material. However, the following types of advertisements, sales literature or correspondence must be approved prior to publication or use by a one or more Supervisors specifically designated to approve each specified type of material:

(a) Research reports,

(b) Market letters,

(c) Telemarketing scripts,

(d) Promotional seminar texts (not including educational seminar texts),

(e) Original advertisements/original template advertisements; and

(f) Any material used to solicit clients that contain performance reports or summaries.

(c) Repealing section 29.27.

8. Dealer Member Rule 38 is repealed and replaced by:

RULE 38

COMPLIANCE AND SUPERVISION

38.1 a Dealer Member must establish and maintain a system to supervise the activities of each partner, director, officer, registered representative, employee and agent of the Dealer Member that is reasonably designed to achieve compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business. Such a supervisory system shall provide, at a minimum, the following:

(i) The establishment, maintenance and enforcement of written policies and procedures acceptable to the Corporation regarding the conduct of the types of business in which it engages and the supervision of each partner, director, officer, registered representative, employee and agent of the Dealer Member that are reasonably designed to achieve compliance with the applicable laws, rules, regulations and policies;

(ii) Procedures reasonably designed to ensure that each partner, director, officer, registered representative, employee and agent of the Dealer Member understands his or her responsibilities under the written policies and procedures in (i);

(iii) Procedures to ensure that the written policies and procedures of the Dealer Member are amended as appropriate within a reasonable time after changes in applicable laws, regulations, rules and policies and that such changes are communicated to all relevant personnel;

(iv) Sufficient personnel and other resources to fully and properly enforce the written policies and procedures in (i);

(v) The designation of Supervisors with the qualifications and authority to carry out the supervisory responsibilities assigned to them. Each Dealer Member shall maintain an internal record of the names of all Supervisors, the scope of their responsibility and the dates for which such responsibility and authority is or was in effect. The records must be preserved by the Dealer Member for seven years, and on-site for the first year;

(vi) Procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions. Where the supervision is conducted and supervisory records are maintained at a branch office, the follow-up and review procedures shall include periodic on-site reviews of branch office supervision and record-keeping as necessary depending on the types of business and supervision conducted at the branch office;

(vii) The maintenance of adequate records of supervisory activity, including on-site reviews of branch offices as described in (vi), compliance issues identified and the resolution of those issues.

38.2 (a) A Dealer Member must appoint as many Supervisors as are necessary to properly supervise the officers, partners, employees and agents of the Dealer Member, taking into account the scope and complexity of its businesses to ensure that the businesses of the Dealer Member are carried out in compliance with the Rules and Rulings of the Corporation and any other laws or regulations governing the Dealer Member's business conduct.

(b) A Dealer Member must take reasonable steps to ensure that all of its Supervisors are proficient and understand the products that persons under their supervision trade in or advise on and the services that persons under their supervision provide to a sufficient degree to properly supervise those persons. At a minimum, the Dealer Member must ensure that all Supervisors meet the applicable proficiency requirements of Rule 2900.

38.3 No person may act and no Dealer Member may permit a person to act as a Supervisor without the approval of the Corporation.

38.4 (a) A Supervisor must fully and properly supervise each partner, director, officer, registered representative or agent in accordance with the supervisory responsibilities assigned to the Supervisor, the Rules of the Corporation and the written policies and procedures of the Dealer Member so as to ensure their compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business.

(b) A Supervisor may delegate specific supervisory functions or procedures, provided that:

(i) the delegation of such functions in not contrary to applicable laws, regulations, rules or policies;

(ii) the person to whom such functions are delegated is qualified by virtue of registration, training or experience to properly execute them;

(iii) the Supervisor conducts sufficient follow-up and review to ensure that the person to whom the functions have been delegated is properly executing them; and

(iv) the Dealer Member records the terms of the delegation and the follow up and review.

38.5 **Ultimate Designated Person**

(a) A Dealer Member must, subject to the Approval of the Corporation, its Chief Executive Officer or another Executive with the equivalent responsibility to act as the Ultimate Designated Person, who shall be responsible to the Corporation for the conduct of the firm and the supervision of its employees.

(b) Where a Dealer Member is organized into two or more separate business units or divisions, the Dealer Member may designate an Ultimate Designated Person for each separate business unit or division.

(c) The Ultimate Designated Person must ensure that policies and procedures are developed and implemented which adequately reflect the regulatory requirements of the Dealer Member.

38.6 **Chief Financial Officer**

(a) Each Dealer Member must, subject to the Approval of the Corporation, appoint one Executive as Chief Financial Officer who, in addition to the requirements under Rule 7.4(a), must have met the proficiency requirements of Rule 2900, Part I, section A.2A. The Chief Financial Officer need not be engaged full time in the business of the Dealer Member.

(b) Notwithstanding subsection (a), if the Chief Financial Officer of a Dealer Member terminates his/her employment with the Dealer Member and the Dealer Member is unable to immediately appoint another qualified person as Chief Financial Officer, the Dealer Member may, with the Corporation's approval, appoint an Executive as Acting Chief Financial Officer, provided that within 90 days of the termination:

(1) the Acting Chief Financial Officer meets the requirement of subsection (a) and is approved by the Corporation as Chief Financial Officer; or

(2) another qualified person is appointed Chief Financial Officer by the Dealer Member and approved by the Corporation.

(c) The Chief Financial Officer must monitor adherence to the Dealer Member's policies and procedures as necessary to provide reasonable assurance that the Dealer Member complies with the financial rules of the Corporation.

38.7 **Chief Compliance Officer**

(a) Every Dealer Member must, subject to the Approval of the Corporation, appoint an Executive to act as Chief Compliance Officer.

(b) A Dealer Member may appoint the Ultimate Designated Person to act as the Chief Compliance Officer.

(c) Where a Dealer Member is organized into two or more separate business units or divisions, a Dealer Member may, with the Approval of the Corporation, designate a Chief Compliance Officer for each separate business unit or division.

(d) The Chief Compliance Officer must have the qualification required under Rule 2900, Part I, section A.2B.

(e) Notwithstanding subsection (a), a Dealer Member may, with the Corporation's approval, appoint an officer as Acting Chief Compliance Officer if the Chief Compliance Officer terminates his or her employment with the Dealer Member and the Dealer Member is unable to immediately appoint another qualified person as Chief Compliance Officer provided that, within 90 days of the termination of the previous Chief Compliance Officer:

(i) the Acting Chief Compliance Officer meets the requirement of subsection (d) and is approved by the Corporation as Chief Compliance Officer; or

(ii) another qualified person is appointed Chief Compliance Officer by the Dealer Member and is approved by the Corporation.

(f) The Corporation may grant to a Dealer Member an exemption from subsection (d) where it is satisfied that the nature of the Dealer Member's business is such that the qualification is not relevant to the Dealer Member and that to do so would not be prejudicial to the interests of the Dealer Member, its clients, the public or the Corporation. In granting such an exemption, it may impose such terms and conditions as it considers necessary.

(g) The Chief Compliance Officer must monitor adherence to the Dealer Member's policies and procedures as necessary to provide reasonable assurance that in conducting its securities-related activities the Dealer Member meets the non-financial requirements to which the Dealer Member is subject.

(h) The Chief Compliance Officer must report to the Board of Directors (or equivalent) of the Dealer Member as necessary but at least annually on the status of compliance at the Dealer Member. The Chief Compliance Officer must have access to the Ultimate Designated Person and the board of directors (or equivalent) at other times to raise significant issues requiring their attention.

38.8 The Board of Directors (or equivalent) of the Dealer Member must review the report of the Chief Compliance Officer and determine what actions are necessary to rectify any compliance deficiencies noted in the report and ensure such actions are carried out. The Board of Directors (or equivalent) must maintain records of the actions it determines to be necessary and the monitoring to ensure that those actions are carried out.

38.9 A Dealer Member must file with the Corporation:

(a) A copy of a governance document setting out the organizational structure and reporting relationships, which support the compliance arrangement set out above; and

(b) Notice of any material changes to the organizational structure and reporting relationships as set out in subsection (a).

9. Dealer Member Rule 40 is amended by:

(a) Repealing paragraphs (17) and (18) of section 40.1

(b) Repealing and replacing section 40.3 with the following:

40.3 Approvals and Notifications

(1) Each Dealer Member making an application for approval of an individual in any capacity required under any Rule of the Corporation shall make such application to the Corporation through the NRD on Form 33-109F4.

(2) Each Dealer Member shall notify the Corporation of the appointment of an Ultimate Designated Person pursuant to Rule 38.5(a), a Chief Compliance

Officer pursuant to Rule 38.7(a) or a Chief Financial Officer pursuant to Rule 38.6(a) through the NRD on Form 33-109F4.

(3) Each Dealer Member making an application under subsection (1) shall be liable for and pay such fees as are prescribed from time to time by the Board of Directors, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

(4) Any fees payable to the Corporation or to the NRD Administrator pursuant to subsection (3) above shall be submitted by electronic pre-authorized debit through NRD.

(c) Repealing and replacing section 40.4 with the following:

40.4 Change of Approval Category or Type of Business

(1) Each Dealer Member making an application for approval of any Approved Person in a different or additional capacity requiring approval under any Rule of the Corporation or to surrender an existing approval shall make such application to the Corporation through the NRD on Form 33-109F2.

(2) Each Dealer Member making an application under subsection (1) shall be liable for and pay such change of status fees as are prescribed from time to time by the Board of Directors, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

(3) Any fees payable to the Corporation or the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

(4) Each Dealer Member must notify the Corporation through NRD on Form 33-109F2 when an Approved Person changes the type of business in which he or she engages as described in Rule 18.2(b).

(5) Prior to providing notice of a change in the type of business in which an Approved Person will engage, a Dealer Member must ensure that it has notified the Corporation through NRD of the completion of the proficiency requirements under Rule 2900 necessary to undertake the type of business or that the Approved Person has been granted an exemption from the proficiency requirements under Rule 2900 and Rule 20.

(d) Repealing and replacing section 40.8 with the following:

40.8 Notification of Opening or Closing of a Business Location

(1) Each Dealer Member required to notify the Corporation of the opening or closing of a Business Location pursuant to Rule 4.6 must do so through the NRD on Form 33-109F3 within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of the opening or closing, as applicable, of a business location.

(2) Each Dealer Member must notify the Corporation through the NRD of any change in the address or supervision of any Business Location within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in Multilateral Instrument 33-109, to notify the regulator of a change in a business location.

(e) Repealing sections 40.10 and 40.13.

10. Dealer Member Rule 1300 is amended by:

(a) Repealing and replacing sections 1300.2 through 1300.8 with the following:

1300.2.

(a) A Dealer Member must designate a Supervisor to be responsible for the opening of new accounts establishing and maintaining procedures acceptable to the Corporation for account supervision to ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry. As part of this supervision each new account must be opened pursuant to a new account form which meets the guidelines provided for in Rule 2500 for retail accounts, in Rule 2700 for institutional accounts and in Rule 3200 for accounts exempt from suitability reviews.

(b) Where a Dealer Member conducts more than one of retail business, institutional business and suitability-exempt business under Rules 1300.1(t) and 3200.B, the Dealer Member may designate separate Supervisors for each type of business.

(c) The Designated Supervisor or another Supervisor assigned the responsibility for doing so in the policies and procedures of the Dealer Member must approve and record the approval of the opening of an account prior to or promptly after the completion of any transaction.

Discretionary and Managed Accounts

1300.3. In this Rule 1300 unless the context otherwise requires, the expression:

"discretionary account" means an account of a customer other than a managed account in respect of which a Dealer Member or any person acting on behalf of the Dealer Member exercises any discretionary authority in trading by or for such account, provided that an account shall not be considered to be a discretionary account for the sole reason that discretion is exercised as to the price at which or time when an order given by a customer for the purchase or sale of a definite amount of a specified security, option, futures contract or futures contract option shall be executed;

"futures contracts managed account" means a managed account which includes only investments in commodity futures contracts or commodity futures contract options;

"investment" includes a commodity futures contract and a commodity futures contract option;

"managed account" means any account solicited by a Dealer Member in which the investment decisions are made on a continuing basis by the Dealer Member or by a third party hired by the Dealer Member;"

"portfolio manager" means a registered representative exercising discretionary authority over a managed account;

"responsible person" means a partner, director, officer, employee or agent of a Dealer Member who:

(a) exercises discretionary authority over the account of a client or approves discretionary orders for an account when exercising such discretion or giving such approval pursuant to Rule 1300.4, or

(b) participates in the formulation of, or has prior access information regarding investment decisions made on behalf of or advice given to a managed account

but does not include a sub-adviser under Rule 1300.7(a)(ii);

1300.4. A registered representative may not exercise discretionary authority over a customer account unless:

(a) the Dealer Member has designated a Supervisor or Supervisors to be responsible for discretionary accounts;

(b) the customer has given prior written authorization in compliance with in compliance with Rule 1300.5; and

(c) a Supervisor designated under subsection (a) has approved the account as a discretionary account and recorded that approval,

(d) the registered representative authorized to effect discretionary trades for the account has actively dealt in, advised on or performed analysis for a period of two year with respect to all types of products which are to be traded on a discretionary basis; and

(e) the account is maintained at the Dealer Member of the Registered Representative.

1300.5. The prior written authorization provided for by clause (a) of Rule 1300.4 must:

(a) define the extent of the discretionary authority which has been given to the Dealer Member;

(b) except for a managed account, have a term of no more than twelve months, unless the Dealer Member has satisfied the Corporation that a longer term is appropriate and the customer is aware of such longer term;

(c) except for a managed account, only be renewable in writing;

(d) only be terminated by the customer by notice in writing, effective on receipt of the notice by the Dealer Member except with respect to transactions entered into prior to the receipt; and

(e) only be terminated by the Dealer Member by notice in writing, effective not less than 30 days from the date of delivery to the customer.

1300.6. In addition to any other account supervision requirements under the Rules, the designated Supervisor must review at least monthly the financial performance of each discretionary account other than a managed account, including a review to determine whether any person permitted to effect discretionary trades for the account should continue to do so. The Designated Supervisor may not be delegate the conduct of the review to any other person.

1300.7. A Dealer Member may not exercise any discretionary authority with respect to a managed account unless:

(a) the individual who is responsible for the management of the account is:

(i) a portfolio manager; or

(ii) a sub-adviser with which the Dealer Member has entered into a written sub-adviser agreement, provided that

A. the sub-adviser is an individual or firm registered in the jurisdiction in which it resides, in a category of registration that permits the person or company to provide discretionary portfolio management services or as a broker or investment dealer active as a portfolio manager; and

B. the Dealer Member has determined that the sub-adviser is subject to legislation or regulations containing conflict of

interest provisions at least equivalent to Rules 1300.18 and 1300.19 or has entered into an agreement with the sub-adviser that the sub-adviser will comply with Rules 1300.18 and 1300.19.

(b) the customer has given prior authorization to the Dealer Member in accordance with Rule 1300.8

(c) the Supervisor designed under Rule 1300.15(b) or in the Dealer Member's policies and procedures has specifically approved the account as a managed account and the approval has been recorded;

(d) the Dealer Member has provided to the accountholder a copy of its policy ensuring fair allocation of investment opportunities.

1300.8. The prior written authorization provided for by clause (b) of Rule 1300.7 must:

(a) describe the investment objectives and risk tolerance of the customer with respect to the managed account or accounts;

(b) where permitted by the Dealer Member, describe any constraints imposed by customer on investments to be made in the managed account or accounts;

(c) only be terminated by the customer by notice in writing, effective on receipt by the Dealer Member except with respect to transactions entered into prior to the receipt; and

(d) only be terminated by the Dealer Member by notice in writing, effective not less than 30 days from the date of delivery of the notice to the customer.

(b) Repealing sections 1300.9 through 1300.14

(c) Repealing and replacing sections 1300.15 through 1300.17 with the following:

1300.15. A Dealer Member that has managed accounts or futures contracts managed accounts must establish and maintain a system acceptable to the Corporation to supervise the activities of those responsible for the management of such accounts under Rule 1300.7. The system must be reasonably designed to achieve compliance with the Rules and Forms of the Corporation. A Dealer Member firm's supervisory system must provide, at a minimum, for the following:

(a) the establishment and maintenance of written procedures, including:

(i) procedures designed to disclose when a responsible person has contravened Rules 1300.18 or 1300.19;

(ii) procedures to ensure fairness in the allocation of investment opportunities among its managed accounts;

(b) the designation of one or more Supervisors specifically responsible for the supervision of managed accounts.

(c) direct supervision of any Registered Representative providing discretionary management to managed accounts who has less than two years experience providing such discretionary management, including at least one year managing on a discretionary basis more than $5 million in assets, by

(i) a Registered Representative at the Dealer Member or another Dealer Member who is authorized to provide discretionary management to managed accounts and who is not in the period of supervision, or

(ii) A person registered as an advisor under Canadian securities legislation who has entered into a contract with the Dealer Member to provide the supervision.

The period of experience includes any period spent providing discretionary management as a registered advisor under Canadian securities legislation or while employed by a government-regulated institution.

(d) in addition to any other account supervision requirements under the Rules, a review by the Designated Supervisor with respect to each managed account, to be conducted at least quarterly, to ensure that the investment objectives of the client are being diligently pursued and that the managed account or futures contracts managed account is being conducted in accordance with the Rules. The review may be conducted at an aggregate level for managed accounts for which key investment decisions are made centrally and applied across a number of managed accounts, subject to minor variations to allow for client-directed constraints and the timing of client cash flows into the managed account.

(e) the establishment of a committee, including at least the Designated Supervisor of managed accounts and the Chief Compliance Officer, that shall review at least annually the supervisory system and procedures for managed accounts and recommend to senior management any action necessary to achieve the Dealer Member's compliance with applicable securities legislation and with the Rules and Forms of the Corporation.

1300.16. A Dealer Member may charge a client directly for services rendered to a managed account but, except with the written agreement of the client, the charge may not be based on the volume or value of transactions initiated for the account or be contingent upon profits or performance.

1300.17. A Dealer Member may not pay remuneration to anyone managing a managed account that is computed on the basis of the value or volume of transactions in the account.

(d) Repealing and replacing sections 1300.20 and 1300.21 with the following:

1300.20. Where investment decisions are made centrally and applied across a number of managed accounts, Rule 29.3A does not apply to the managed accounts of partners, directors, officers, registered persons, employees or agents of the Dealer Member who participate on the same basis as client accounts in the implementation of those decisions.

1300.21. Except as specifically permitted in the Rules or Rulings, a Dealer Member may not charge a customer a fee that is contingent upon the profit or performance of the customer's account.

11. Dealer Member Rule 1800 is amended by:

(a) Repealing and replacing section 1800.2 with the following:

1800.2. (a) A Dealer Member that trades in futures contracts or futures contract options on behalf of customers must designate a Supervisor qualified to supervise trading in futures contracts and futures contract options to be responsible for the opening of new accounts and establishing and maintaining procedures acceptable to the Corporation for account supervision to ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry.

(b) A Dealer Member must enter into a futures contract trading agreement or futures contract options trading agreement in compliance with Rule 1800.9 with a customer before effecting the customer's initial trade in futures contracts or futures contract options;

(c) The Supervisor designated under Rule 1800.2(a) or another Supervisor qualified to supervise futures contracts or futures contract options trading must approve

the opening of the account of each customer of the Dealer Member for trading in futures contracts or futures contract options before the customer's first trade in futures contracts or futures contract options.

(d) A Dealer Member must:

(i) provide to each customer the then current risk disclosure statement approved by the Corporation and obtain from the customer acknowledgement of its receipt before the customer's initial trade in futures contracts or futures contract options

(ii) distribute to each customer having a futures contract or futures contract options account any amendments to the risk disclosure statement approved by the Corporation; and

(iii) Maintain records showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been provided and the date or dates on which they were provided;

(e) A Dealer Member must have systems and procedures to ensure that in normal circumstances customers of the Dealer Member have access at any time during usual business hours to a registered representative or investment representative, as appropriate to the services provided to the client, qualified to advise on or trade in futures contracts or futures contract options and registered as necessary in the jurisdiction in which the client resides.

(f) A Dealer Member must obtain the approval of the Corporation of its accounting, settlement and credit control systems for trading in futures contracts or futures contract options for customer and firm accounts with respect to futures contracts or futures contract options before trading in futures contracts or futures contract options.

(b) Repealing sections 1800.3, 1800.5 and 1800.6

(c) Repealing and replacing sections 1800.7 through 1800.11 with the following:

1800.7. A Dealer Member that trades in futures contracts must file any reports on that are required by the Corporation. A Dealer Member must report to the Corporation on a form of monthly position report approved by the Corporation the greater of the market value of the total long or the total short futures contracts for each commodity, determined as at the close of business on the last day of each month or, where that day is not a trading day, on the next preceding trading day.

1800.8. A Registered Representative or Investment Representative must identify all non-customer orders entered for the purchase or sale of futures contracts or futures contract options. A "non-customer" order is an order for an account in which the Dealer Member or any Approved Person of the Dealer Member has a direct or indirect interest other than an interest in the commission charged.

1800.9. The account agreement required in Rule 1800.2(b) must define the rights and obligations between the Dealer Member and the customer on the subjects that the Corporation may from time to time determine, including the following:

(a) The rights of the Dealer Member to exercise discretion in accepting orders;

(b) The Dealer Member's obligation with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;

(c) The customer's obligation in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security, including the conditions under which the funds, securities or other property held

in the account or any other accounts of the customer may be applied to such indebtedness or margin;

(d) The obligation of the customer in respect of commissions, if any, on futures contracts or futures contract options bought and sold for his or her account;

(e) The obligation of the customer in respect of the payment of interest, if any, on debit balances in his or her account;

(f) The extent of the right of the Dealer Member to make use of free credit balances in the customer's account either in its own business or to cover debit balances in the same or other accounts, and the consent, if given, of the customer to the Dealer Member taking the other side to the customer's transactions from time to time;

(g) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the customer's account;

(h) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the customer's account and to hold the same as collateral security for the customer's indebtedness;

(i) The customer's obligation to comply with the rules pertaining to futures contracts or futures contract options with respect to reporting, position limits and exercise limits, as applicable, as established by the commodity futures exchange on which such futures contracts or futures contract options are traded or its clearing house;

(j) The right of the Dealer Member, if so required, to provide regulatory authorities with information and/or reports related to reporting limits and position limits;

(k) The acknowledgement by the customer that he or she has received the current risk disclosure statement required by Rule 1800.2(d);

(l) The right of the Dealer Member to impose trading limits and to close out futures contracts or futures contract options under specified conditions;

(m) That minimum margin will be required from the customer in such amounts and at such times as the commodity futures exchange on which a contract is entered or its clearing house may prescribe and in such greater amounts at other times as prescribed by the Rules and as determined by the Dealer Member, and that such funds or property may be commingled and used by the Dealer Member in the conduct of its business;

(n) In the case of futures contract options accounts, the method of allocation of exercise assignment notices and the customer's obligation to instruct the Dealer Member to close out contracts prior to the expiry date; and

(o) Unless provided for in a separate agreement, the authority, if any, of the Dealer Member to effect trades for the customer on a discretionary basis, which authority shall be separately acknowledged in a part of the agreement prominently marked off from the remainder and shall not be inconsistent with any Rules relating to discretionary accounts.

1800.10. Rule 1800.9 does not apply to the opening of a futures contracts or futures contract options account where the customer is a dealer on its own behalf, a dealer on behalf of its customer if the dealer is required to maintain with its customer an account agreement substantially similar to that described in Rule 1800.9, an adviser registered under any applicable legislation relating to trading or advising in respect of futures contracts or futures contract options, an acceptable institution or an acceptable counter-party, provided the Dealer Member has obtained from the customer a letter of undertaking specifying:

(a) That the person opening the account will comply with the by-laws, rules and regulations of the exchange and clearing house upon or through which trades in

contracts are to be effected including without limitation, the rules and regulations establishing position and reporting limits; and

(b) Where the customer also maintains with the same Dealer Member an account on which the customer is charged interest when there is a debit balance in the account, the conditions under which transfers of funds, securities or other property held in such other account will be made between accounts, unless provision is made elsewhere in a document signed by the person opening the account.

1800.11(a) A Dealer Member must keep a record of any order or other instruction given or received with respect to a trade in a futures contract or futures contract option, whether executed or unexecuted, showing:

(i) The terms and conditions of the order or instruction and any modification or cancellation of the order or instruction;

(ii) The account to which the order or instruction relates;

(iii) Where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed;

(iv) Where the order or instruction is placed by a person other than the customer in whose name the account is operated, the name, or designation, of the party placing the order or instruction;

(v) The time of the entry of the order or instruction, and, where the order is entered pursuant to the exercise of discretionary authority by the Dealer Member, identification to that effect;

(vi) To the extent feasible, the time of altering instructions or cancellation; and

(vii) The time of report of execution.

(b) A Dealer Member must keep in a form accessible to the Corporation the records of all unexecuted orders for two years and all executed orders for seven years from the date of the order.

12. Dealer Member Rule 1900 is amended by:

(a) Repealing and replacing sections 1900.1 and 1900.2 with the following:

1900.1. For the purposes of this Rule 1900, unless the subject matter or content otherwise requires:

"Option" means a call option or put option issued by the Canadian Derivatives Clearing Corporation, Intermarket Services Inc., The Options Clearing Corporation, Intermarket Clearing Corporation, International Options Clearing Corporation or any other corporation or organization recognized by the Board of Directors for the purposes of this Rule but does not include a futures contract or futures contract option as defined in Rule 1800.1.

1900.2. (a) A Dealer Member that trades in options on behalf of customers must designate a Supervisor qualified to supervise options trading to be responsible for approving customer accounts to trade in options and for establishing and maintaining procedures acceptable to the Corporation for the supervision of account activity involving options, to ensure that the handling of customer business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry;

(b) A Dealer Member's must enter into an options trading agreement in compliance with Rule 1900.6 with a customer before effecting the customer's initial trade in options;

(c) The Supervisor designated under Rule 1900.2(a) or another Supervisor qualified to supervise options trading must approve each customer account of the Dealer Member for trading in options before the customer's first trade in options;

(d) A Dealer Member must:

(i) provide to each customer the then current disclosure approved by the Corporation and obtain from the customer acknowledgement of its receipt before the customer's first trade in options;

(ii) Provide to each customer having an account approved for options trading any amendments to the disclosure document in subsection (i); and

(iii) Maintain records showing the names and addresses of all persons to whom a current disclosure statement or an amendment thereto has been provided and the date or dates on which they were provided.

(e) A Dealer Member must comply with the applicable rules and rulings of any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits.

(b) Repealing sections 1900.3 and 1900.4

(c) Repealing and replacing sections 1900.5 and 1900.6 with the following:

1900.5. A Dealer Member that trades in options must file reports as required by the Corporation on the following matters:

(a) All transactions together with a summary of open positions showing those that are covered and those that are uncovered; and

(b) All holdings on the previous day in aggregate long or short positions of any single class of options of the minimum amount or over as specified by the rules, regulations or by-laws of the exchange or the clearing house on or through which the option is traded. For each class of option the report must include the number of options in each position and, in the case of short positions, whether they are covered.

1900.6. (a) The options trading agreement required in Rule 1900.2(b) must define the rights and obligations between the Dealer Member and the customer on the subjects that the Corporation may from time to time determine, including the following:

(i) The rights of the Dealer Member to exercise discretion in accepting orders;

(ii) The Dealer Member's obligations with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;

(iii) The method of allocation of exercise assignment notices;

(iv) The notice that maximum limits may be set on short positions and that during the last 10 days to expiry cash only terms may be applied and, in addition, that the Corporation may impose other rules affecting existing or subsequent transactions;

(v) The customer's obligation to instruct the Dealer Member to close out contracts prior to expiry date;

(vi) The customer's obligation to comply with applicable Rules and Rulings of the Corporation and any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits;

(vii) The acknowledgement by the customer that he or she has received the current disclosure statement referred to in Rule 1900.2(d);

(viii) A statement of the time limit set by the Dealer Member prior to which the client must submit an exercise notice; and

(ix) Any other matter required by the exchange, clearing corporation or other organization on or through which an option is traded or issued.

(b) Notwithstanding Rule 1900.6(a), if the client is an acceptable institution or acceptable counter-party the Dealer Member may, in lieu of maintaining an options trading agreement, accept a letter of undertaking from the acceptable institution or acceptable counter-party in which the institution or counter-party agrees to abide by the Rules, Rulings and requirements of the Corporation and of the exchange, clearing corporation or other organization on or through which an option is traded including those relating to exercise and position limits.

(d) Repealing section 1900.7

13. Dealer Member Rule 2500 is repealed and replaced by:

RULE 2500

MINIMUM STANDARDS FOR RETAIL ACCOUNT SUPERVISION

Introduction

This Rule establishes minimum industry standards for retail account supervision.

These standards represent the minimum requirements necessary to ensure that a Dealer Member has in place procedures to properly supervise retail account activity. The Rule does not:

(a) relieve Dealer Members from complying with specific SRO by-laws, rules, regulations and policies and securities legislation applicable to particular trades or accounts; or

(b) preclude Dealer Members from establishing a higher standard of supervision and in certain situations a higher standard may be necessary to ensure proper supervision.

Many of the standards in this Rule are taken from existing Rules of the Corporation and of other self-regulatory organizations. Securities legislation was generally not canvassed. To ensure that a Dealer Member has met all applicable standards, Dealer Members are required to know and comply with Corporation and other self-regulatory organization by-laws, rules, regulations and policies and applicable securities legislation which may apply in any given circumstance.

The following principles have been used to develop these minimum standards:

(a) The term "review" in this Rule has been used to mean a preliminary screening to detect items for further investigation or an examination of unusual trading activity or both. It does not mean that every trade meeting the selection process of this Rule must be investigated. The reviewer must use reasonable judgement in selecting the items for further investigation.

(b) While Dealer Members must provide the necessary resources and qualified supervisors to meet these standards, the standards do not specify what the resources must be. The Dealer Member

must determine what resources and supervisors are necessary based on the nature of the Dealer Member's business.

(c) The compliance with the know-your-client rule and suitability of investment requirements is primarily the responsibility of the registered representative. The supervisory standards in this Rule relating to know-your-client and suitability are intended to provide supervisors with guidelines on how to monitor the handling of these responsibilities by the registered representative.

I. Establishing and Maintaining Procedures, Delegation and Education

Introduction

Effective self-regulation begins with the Dealer Member establishing and maintaining a supervisory environment which fosters the business objectives of the Dealer Member and enables the Dealer Member to meet regulatory requirements and its obligations to its customers. To that end a Dealer Member must establish and maintain procedures which are supervised by qualified individuals. A major aspect of self-regulation is the ongoing education of staff in all areas of business conduct.

A. Establishing Procedures

1. A Dealer Member must:

   (a) appoint designated principals who have the necessary knowledge of industry regulations and Dealer Member policy to properly perform their duties;

   (b) maintain written policies and procedures to document supervision requirements; and

   (c) supply written instructions to all supervisors and alternates to advise them on what is expected of them.

2. A Dealer Member must have a procedure establishing the approval process for new policies and procedures. Those having a significant impact on the Dealer Member's compliance system should be approved by senior management approval.

B. Maintaining Procedures

1. A Dealer Member must have a reasonable process to review the efficacy of its business conduct procedures and practices and rectify any deficiencies identified.

C. Risk-based Procedures

1. A Dealer Member may select accounts for review on the basis of risk-based procedures, taking into account factors such as the size of account, nature of the trading, products traded, volume of activity, commissions generated or Approved Persons advising the customer.

2. A Dealer Member must document the basis used for selecting accounts for review in its policies and procedures.

3. The procedures for selecting accounts for review must be applied consistently across retail accounts.

4. At a minimum, a Dealer Member must conduct enhanced supervision of trading by Approved Persons who have had a history of questionable conduct. Evidence of such conduct can include trading activity that frequently raises questions in account reviews, frequent or serious client complaints, regulatory investigations, frequent account credit problems or failure to take appropriate remedial action on account problems identified.

D. Delegation

1. Supervisors may delegate tasks but not responsibility.

2. A Dealer Member must advise supervisors of those specific functions that cannot be delegated.

3. The supervisor delegating the task must ensure that these tasks are being performed adequately and that exceptions are brought to his or her attention.

4. Those to whom tasks are delegated must have the qualifications to perform them and should be advised in writing what is expected.

E. Education

1. A Dealer Member must provide all sales and supervisory personnel with the current sales practices and policies relevant to their functions. The provision can be done through access to electronic systems on which the policies and procedures are maintained, in which case personnel must be trained on use of the systems. A Dealer Member should obtain and record acknowledgements from all sales and supervisory personnel that they have read and understood the policies and procedures relevant to their responsibilities.

2. A Dealer Member must provide introductory and continuing education to all approved persons on the Dealer Member's policies and procedures and any relevant changes to them.

3. A Dealer Member must communicate information contained in compliance-related bulletins from the Corporation and other SROs and Regulatory Organizations to all sales and other approved persons to whom it is relevant. A Dealer Member must maintain procedures relating to the method and timing of distribution of compliance-related bulletins.

F. Records

1. A Dealer Member must maintain records of supervisory review for seven years.

2. A Dealer Member must maintain the records in a manner that permits them to be provided to the Corporation promptly for the first two years after its creation and within a reasonable time thereafter.

3. The evidence must record who conducted the review and when, inquiries made, replies received and actions taken.

II. Opening New Accounts

Introduction

To comply with the "Know-Your-Client" rule each Dealer Member must establish procedures to maintain accurate and complete information on each client. The first step towards compliance with this rule is completing proper documentation when opening new accounts. Accurate completion of the documentation when opening a new account allows both the registered representative and the supervisory staff to conduct the necessary review to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives. Maintaining accurate and current documentation will allow the registered representative and the supervisory staff to ensure that all recommendations made for any account are appropriate for the client and in keeping with the client's investment objectives.

"Know-Your-Client" procedures must also be directed at meeting a Dealer Member's gatekeeper obligations by identifying clients that present a high risk to the Dealer Member or a high risk of conducting improper activities in the securities markets. The procedures must also meet the requirements of anti-money laundering and terrorist financing legislation and regulations.

A. Documentation

1. A Dealer Member must complete an account application for each new customer that conforms to the account information requirements of this Policy.

2. A Supervisor authorized in the Dealer Member's policies and procedures to do so must approve a fully completed new account application no later than the business day after the initial trade. 'Fully completed' means that all information necessary to assess suitability, creditworthiness and risk has been obtained but does not mean that the client must have signed the application if the Dealer Member requires that the client do so. Alternate procedures for securing interim approval are acceptable to prevent undue delays provided the Supervisor applies prompt final approval following

the initial trade. If an account application received after the initial trade is not fully completed, a Dealer Member must restrict the account to liquidating trades only until a fully completed application has been approved.

3. Where the customer is an employee or agent of another registered dealer, a Dealer Member must obtain written approval of the customer's employer or principal before opening the account. A Dealer Member must designate such accounts as non-client accounts.

4. A Dealer Member must maintain a complete set of documentation regarding each account. The Registered Representative(s) handling an account must maintain a copy of the account application. A Dealer Member can meet this requirement by maintaining the information on the application in an electronic application accessible to the Registered Representative.

5. The Registered Representative must update the information on the application where there is a material change in client information. The update must be approved in the manner provided in subsection A.2. A Dealer Member must restrict the access of Registered Representatives and other persons to its electronic systems for maintaining know-your-client information so that material information cannot be changed without the required approval. A Dealer Member must have procedures independent of the Registered Representative for verifying material changes to customer information, such as changes of address, financial situation, investment objectives or risk tolerance.

6. When there is a change of Registered Representative, the new Registered Representative must verify the account information to ensure it is current. A Dealer Member must have a procedure for recording that the new Registered Representative has reviewed the customer information and that the appropriate Supervisor is satisfied that it has been reviewed and has approved any material changes. It is acceptable for the Registered Representative to record and initial any changes on a photocopy of the existing application provided that it was previously approved within two years of the review.

7. A Dealer Member must not assign an account number for a new customer unless it has the proper name and address of the customer.

B. Pending Documents

1. A Dealer Member must have procedures in place to ensure supporting documents are received within a reasonable period of time of opening the account.

2. A Dealer Member must have systems or procedures to prevent:

   - Trading on margin until the customer entered into a margin agreement with the customer as described in Rule 200.1(i)(2)

   - Trading in futures contracts or futures contract options until the customer has entered into a futures contracts or futures contract options trading agreement with the customer as described in Rule 1800.2(b)

   - Trading in options until the customer has entered into an options trading agreement with the customer as described in Rule 1900.2(b)

3. A Dealer Member must have a system for recording pending account documentation and following up where it is not received in a reasonable time.

4. A Dealer Member must take positive action specified in its policies and procedures to obtain required documentation not obtained within 25 business days of the opening of the account.

C. Other Requirements

1. All hold mail must be authorized by the client in writing and be controlled, reviewed on a regular basis and maintained by the responsible Supervisor.

2. Returned mail must be properly investigated and controlled by a person who is independent of the sales function but may be located within a branch.

3. For supervisory purposes, "non-client" accounts, RRSP accounts, managed accounts, discretionary accounts and restricted accounts must be readily identifiable.

III. Account Supervision Generally

Introduction

Rule 38.1 requires a Dealer Member to implement systems of supervision and control to ensure that is reasonably designed to achieve compliance with the Rules and Rulings of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business. This section provides guidance on the means used by Dealer Members to meet that requirement with respect to retail customer accounts.

A. Supervisory Structure

1. In maintaining a supervisory structure and appointing Supervisors, a Dealer Member must take into consideration all factors necessary to ensure the adequacy of the supervision, including the products traded, type of trading, location of business and other functions of Supervisors.

2. Where the Dealer Member conducts retail business in business locations outside its Head Office, it should consider the following:

   - A resident supervisor is in the best position to know the Registered Representatives in the office, know or meet many of the clients, understand local conditions and needs, facilitate business through the timely approval of new accounts and respond immediately to questions or problems. However, a Dealer Member may determine to what extent a resident supervisor is necessary, considering factors such as:

     - The number of Registered Representatives in the location
     - The experience of Registered Representatives in the location
     - The nature of the business conducting in the location
     - The availability of a Supervisor or Supervisors in nearby locations
     - Other systems and controls mitigating the risk of remote supervision

   - Where a business location does not have a Supervisor working in the office, it must have an outside Supervisor assigned to it. A Dealer Member's policies and procedures and the instructions to the outside Supervisor must include provision for periodic visits to the location by the Supervisor as necessary to ensure that business is being conducted properly at the location.

3. While it is not always possible in a very small firm, a Dealer Member should ensure independent supervision of all retail accounts. A Supervisor's advice and trades for his or her own clients should be supervised by another Supervisor.

4. A Dealer Member must ensure that a Supervisor who advises and trades for his or her own clients devotes sufficient time and attention to his or her supervisory role.

5. A Dealer Member must ensure that Supervisors are qualified to supervise trading activity in all products traded by those under his or her supervision and any other services that they provide to retain customers. Where the Supervisor is not so qualified, the Dealer Member may divide the supervision between two or more Supervisors, but must ensure that there are appropriate mechanisms for them to communicate with one another, that the system ensures that the Dealer Member maintains an overall view of the client's situation and activity and that the assignment of responsibilities is clear and complete. One acceptable mechanism for doing so is the appointment of a primary Supervisor to whom the other Supervisor(s) provide advice with regard to the activity in the products or services the primary Supervisor is not qualified to supervise.

6. A Dealer Member's supervisory system must provide Supervisors with the information necessary to properly conduct their supervision. For account reviews this includes readily accessible client

information and full information about account activity including relevant non-trade activity such as receipts, deliveries, deposits, withdrawals and journal entries.

7. A Dealer Member's supervisory system must provide for back-up during the absence of responsible Supervisors. For any prolonged absence of a Supervisor, the back-up Supervisor should be advised as necessary of any ongoing issues or concerns as necessary to provide proper supervision.

8. A Dealer Member must have systems of supervision and review to ensure that Supervisors are properly fulfilling their supervisory functions. This requirement can be met by a two-tiered system of first and second level reviews as described in this policy.

9. A Supervisor must have sufficient authority to take effective and timely remedial action where account activity or any other matter under his or her supervision falls or appears to fall outside the bounds of proper conduct, just and equitable principles of trade or good business practice. Escalation for a decision by a more senior Supervisor or Executive will be considered an acceptable form of action.

B. Supervision of Account Activity

A Dealer Member must have systems and procedures to supervise trading activity in retail accounts. The supervision must provide reasonable assurance that the Dealer Member is meeting its regulatory obligations, including those to clients such as suitability and gatekeeper obligations such as preventing market abuses. The following principles should be taken into consideration:

1. Reviews may be conducted on a pre-trade or post-trade basis. A properly crafted pre-trade review process may obviate or lessen the need for post-trade reviews.

2. Review procedures must cover all accounts. Where a Dealer Member offers both commission and fee-based accounts, it cannot select accounts for review solely on the basis of commission levels; it must also have a procedure for selecting fee-based accounts for review.

3. Reviews procedures must be able to identify patterns of activity that are not apparent by reviewing trades singly. For example, a review of trading over a longer period may raise questions about the overall level of activity even though each trade, looked at singly, appears to be suitable for the client.

4. Reviews must encompass non-trade issues such as late payment, margin problems, trade cancellations or transfers and flows of funds or securities that might be suspicious of money laundering.

5. The selection of activity for post-trade review may be done using a risk-based approach reasonably designed to detect improper activity. A risk-based approach can be used to determine the period of activity to be reviewed. For example, in some cases it may be appropriate to conduct longer-term reviews of monthly activity; in others they may consider shorter or longer periods.

6. Reviews must take into consideration, and reviewers must have access to, information about customers that may reasonably be assessed as presenting a higher risk of improper market activity such as those known by the Dealer Member to have access to material non-public information about issuers, holders of control blocks of public issuers and market professionals.

7. All account activity of employees and agents should be subject to review.

8. Reviews must be done on a timely basis, as established in the Dealer Member's policies and procedures. The timing should be reasonably designed to identify as early as possible matters requiring supervisory attention.

9. It is acceptable to use computer analysis to assist in selecting activity to be reviewed.

IV. Two-Tier Reviews

In a Dealer Member with multiple business locations conducting retail account activity, a two-tier system of post-trade activity reviews as described in this section is an acceptable structure.

The first level review will normally be conducted by a Supervisor at each business location having a resident supervisor. Such reviews may also be carried out on a regional basis or at a Dealer Member's head office provided that the systems and resources to conduct the review are available at the regional or head office and that the Dealer Member has adequate systems and procedures for dealing with any issues identified.

The second-tier review will normally be conducted at the Dealer Member's Head Office, but may also be done regionally. The second level of supervision is generally not at the same depth as first level supervision. It should and be reasonably designed to identify serious account problems, including all those listed regarding first level reviews, that may have been missed by the first level supervision and ensure that first level supervision is being adequately conducted.

Where second level reviews are conducted by personnel or a department responsible only for monitoring activity, the Dealer Member should have procedures for referring issues that cannot be resolved with first level Supervisors to a higher level Supervisor who has the authority to resolve them.

A. First-Tier Daily Reviews

A first-tier review examines the previous day's trading using means described in the Dealer Member's procedures to attempt to detect the following:

- unsuitable trading;
- undue concentration of securities in a single account or across accounts;
- excessive trade activity;
- trading in restricted securities;
- conflict of interest between registered representative and client trading activity;
- excessive trade transfers, trade cancellations etc. indicating possible unauthorized trading;
- inappropriate / high risk trading strategies;
- quality downgrading of client holdings;
- excessive / improper crosses of securities between clients;
- improper employee trading;
- front running;
- account number changes;
- late payment;
- outstanding margin calls;
- violation of any internal trading restrictions;
- undisclosed short sales;
- manipulative or deceptive trading;
- insider trading.

B. First-Tier Monthly Reviews

1. A first-tier monthly review should encompass the areas of concern as described in subsection IV.A for daily activity reviews.

2. It may not be possible to review each statement produced. A first-tier monthly review starts with the selection, on a basis reasonably designed to detect improper account activity, of retail client accounts to be reviewed. A Dealer Member can meet this obligation by reviewing the activity of all customers charged gross commissions of $1,500 or more for the month.

3. A first-tier monthly review should include all non-client accounts showing any activity other than receipt of dividends or interest or payment of interest.

4. This review should be completed within 21 days of the period covered unless precluded by unusual circumstances.

C. Second-Tier Daily Reviews

1. Daily reviews should cover the following:

- trades meeting criteria established in the Dealer Member's policies and procedures. For this purpose, the following meet the requirement:
  - stock trades with a value over $5,000 and a price under $5.00 per share;
  - stock trades with value over $20,000 and a price at or over $5.00 per share;
  - bond trades over $100,000 value per trade;
- non-client trading;
- client accounts of producing branch managers;
- all client accounts not reviewed by a branch manager;
- trade cancellations;
- trading in restricted accounts;
- trading in suspense accounts;
- account number changes;
- late payment;
- outstanding margin calls.

2. Daily reviews should be completed no later than the business day following the activity unless precluded by unusual circumstances.

D. Second-Tier Monthly Reviews

1. A Dealer Member must select accounts for second-tier review based on criteria established in its policies and procedures. This requirement can be met using the following criteria::

- accounts of customers charged more than $3,000 in commission during the month;
- accounts of, all customers and non-clients charged more than $1,500 in commission during the month that were not subject to a first level review by the normal first level Supervisor, including the customer accounts of producing first-tier Supervisors.

2. Monthly reviews should be completed within 21 business days of the period covered unless precluded by unusual circumstances.

E. Other Activity

In addition to transactional activity, a Dealer Member must have systems and procedures designed to identify, deal with and keep first level Supervisors informed about other client related matters such as:

- client complaints;
- cash account violations;
- transfers of funds and securities between unrelated accounts or between pro and client accounts or deposits from pro to client accounts;
- trading while under margin.

V. Option Account Supervision

Introduction

A Dealer Member dealing in options or Exchange traded commodity or index warrants must appoint a Supervisor (the "Designated Options Supervisor") qualified to supervise options trading to have overall responsibility for the opening of new option accounts and the supervision of account activity. The Designated Options Supervisor must ensure that the Dealer Member implements policies and procedures reasonably designed to ensure that all recommendations made for any account are and continue to be appropriate for the customer and in keeping with his or her investment objectives. In addition, a Dealer Member should, where the level of options trading activity warrants it, have a qualified Supervisor to assist in supervisory activities and to carry out the functions of the Designated Options Supervisor in his or her absence. All supervisory procedures regarding options must be conducted by options qualified Supervisors.

A. Account Opening and Approval

1. The option trading agreement and option account application must be completed and the client's agreement recorded before the first trade. This applies to new accounts or existing accounts approved for other products.

2. The option trading agreement contents must meet or exceed Corporation requirements.

3. The Designated Options Supervisor or another options qualified Supervisor must approve all accounts to trade in options and their approval and the date of approval must be recorded.

4. The approving Supervisor must determine whether the risk characteristics of the strategies the customer intends to use are appropriate for the customer and in keeping with his or her investment objectives and risk tolerance. If they are not, the approving Supervisor should restrict the account from using inappropriate strategies and note with the option account approval any trading restrictions imposed. The Supervisor must ensure that the Registered Representative handling the account is aware of any restrictions.

B. Activity Reviews

1. A Dealer Member's supervisory procedures must include reviews of option trading activity for suitability, exceeding position or exercise limits, concentration, commission activity, and exposure of uncovered positions.

2. A two-tier post-trade review system using the following criteria is not mandatory but will be deemed to meet the review requirement:

   - Daily first-tier review of all option trading activity;
   - Daily second-tier review of opening option trading activity in excess of ten contracts in any one account.

C. Monthly Reviews

Accounts must be selected for monthly first- and second-tier reviews of account using criteria reasonably designed to detect improper activity. For accounts that trade in equities and fixed income products as well as options, it may be appropriate to use the criteria described in Section IV.D. For accounts in which the trading is more concentrated in options, the criteria should take into account the risks related to the type of strategies being used.

D. Other Options Policies and Procedures

A Dealer Member's policies and procedures must include, where applicable:

1. The Designated Options Supervisor's involvement in the approval and daily and monthly reviews of any discretionary managed accounts trading in options The Designated Options Supervisor need not conduct such reviews but should be aware of the use of options in discretionary or managed accounts and exercise heightened care to ensure that it is conducted and supervised properly.

2. Procedures to ensure clients are notified of impending expiry dates.

3. Procedures to ensure the dissemination of information on new developments in the trading and regulation of options in a prudent and appropriate manner; and the dissemination to all clients of any changes in a firm's business policy.

4. Procedures for notifying clients of significant changes in options contracts in which they have open positions resulting from changes to the underlying security.

5. Procedures to ensure that only qualified Registered Representatives or Investment Representatives engage in trading in or advising on options and that they do so only after the Corporation has been notified as required in Rule 18.

6. Procedures to review and approve advertising and sales literature relating to options. The Designated Options Supervisor need not conduct such reviews but should be aware of the use of advertising or sales literature and exercise heightened care to ensure that it is prepared and supervised properly.

7. Procedures requiring the review and approval of the use of and solicitation of clients to use option programmes.

VI. Future and Futures Options Account Supervision

Introduction

A Dealer Member dealing in futures contracts and futures contract options must designate a Supervisor qualified to supervise futures contract and futures contract options trading (the "Designated Futures Supervisor") to have overall responsibility for the opening of new futures and futures options accounts and the supervision of account activity. The Designated Futures Supervisor must ensure that the Dealer Member implements policies and procedures reasonably designed to ensure that all recommendations made for any account are and continue to be appropriate for the client and in keeping with his or her investment objectives. In addition, a Dealer Member should, where the level of futures and futures options trading activity warrants it, have a qualified Supervisor to assist in supervisory activities and to carry out the functions of the Designated Futures Supervisor in his or her absence. All supervisory procedures regarding futures and futures options must be conducted by futures and futures options qualified Supervisors.

A. Account Opening and Approval

1. The futures trading agreement or letter of undertaking under Rule 1800.2(b) and futures account application must be completed, and the client's agreement recorded, before the first trade. This applies to new accounts or existing accounts approved for other products.

2. The Designated Futures Supervisor or another futures qualified Supervisor must approve all accounts and their approval and the date of approval must be recorded before any trading.

3. The Supervisor approving the opening of a hedging account must ensure that the Dealer Member has reliable evidence establishing acceptability of a client as a hedger. Such evidence can take the form of a hedge letter or statement supported by verification procedures.

4. The approving Supervisor must determine whether the risk characteristics of the futures contracts or futures contract options and strategies the customer intends to use are appropriate for the customer and in keeping with his or her investment objectives and risk tolerance. If they are not, the approving Supervisor should restrict the account from using inappropriate contracts or strategies and record with the futures account approval any trading restrictions imposed. The

approving Supervisor must ensure that the Registered Representative handling the account is aware of any restrictions.

5. A Dealer Member's futures account application or futures account agreement must include, other than for a hedging account, a risk limit for futures trading indicating the maximum amount of cumulative loss the client can afford to sustain. The maximum loss can be stated on a lifetime basis or on an annual basis. If the loss limit is stated on an annual basis, the Dealer Member must have a procedure to update it annually and the Designated Futures Supervisor or a Supervisor qualified to supervise futures must review and approve the updated loss limit and ensure that it takes into account any previously accumulated losses.

B. Supervision

A Dealer Member's supervisory procedures must be reasonably designed to detect improper activity such as the following:

- excessive day trading resulting in trading large numbers of contracts;
- trading while under margin;
- trading without approval of the account;
- trading beyond margin or credit limits;
- cumulative losses exceeding risk limits;
- unsuitable trading;
- inappropriate trading strategies;
- position and exercise limits;
- front running;
- conflicts of interest;
- excessive commission activity;
- speculative trading in hedge accounts;
- exposure to delivery through holding contracts into delivery month;
- excessive risk or loss to account guarantors.

C. Other Futures Policies and Procedures

A Dealer Member's policies and procedures must include where applicable:

1. The Designated Futures Supervisor's involvement in the approval and daily and monthly reviews of discretionary or managed futures or futures options accounts. The Designated Futures Supervisor should approve any use of discretionary authority in a futures account.

2. A monthly review of the financial performance of each discretionary account by the Designated Futures Supervisor or a Supervisor qualified in futures contracts acting under the Designated Futures Supervisor's supervision.

3. Procedures to ensure that positions with pending delivery months are handled properly.

4. Procedures to ensure the dissemination of information on new developments in the trading and regulation of futures contracts, such as changes in minimum margin requirements, in a prudent and appropriate manner; and the dissemination to all clients of any changes in a firm's business policy.

5. Procedures to ensure that only qualified Registered Representatives engage in trading in or advising on futures contracts or futures contracts options and that they do so only after the Corporation has been notified as required in Rule 18.

6. Procedures to review and approve sales literature or advertising relating to futures The Designated Futures Supervisor need not conduct such reviews but should be aware of the use of futures advertising or sales literature and exercise heightened care to ensure that it is prepared and supervised properly.

7. Procedures requiring the review and approval of the use and solicitation of clients to use futures programmes.

VII. Discretionary Account Supervision

Introduction

Simple discretionary accounts are accounts where the discretionary authority has not been solicited and which are designed to accommodate customers who are frequently or temporarily unavailable to authorize trades.

Managed accounts are investment portfolios solicited for discretionary management on a continuing basis where the Dealer Member has held itself out as having special skills or abilities in the management of investment portfolios.

A Dealer Member must consent to accepting discretionary accounts and have the proper documentation and supervisory procedures in place to handle such accounts.

A. Account Approval

1. The designated Supervisor under Rule 1300.4(a) must approve any request for discretion.

2. The Dealer Member and customer must enter into a discretionary account agreement that includes any restrictions to the trading authorization. The Supervisor designated under Rule 1300.4(a) must approve the agreement.

3. The Dealer Member must identify discretionary accounts in its books and records in a manger that ensure that the Dealer Member can properly supervise them.

B. Entry of Orders

1. A Supervisor must approve any discretionary order for a discretionary account handled by a Registered Representative prior to the order being entered unless:

   - the Registered Representative is qualified to provide discretionary management services and the Dealer Member has notified the Corporation that he or she provides those services, or

   - the Registered Representative is also an approved Executive.

2. A discretionary account may not hold any publicly traded securities of the Dealer Member or its affiliates.

C. Account Supervision

1. The Supervisor designated under Rule 1300.4(a) must review discretionary orders entered by an Executive no later than next day unless the Executive is also a Registered Representative qualified to provide discretionary management services and the Dealer Member has notified the Corporation that he or she provides those services.

14. Dealer Member Rule 2700 is repealed and replaced by:

RULE 2700

MINIMUM STANDARDS FOR INSTITUTIONAL ACCOUNT OPENING, OPERATION AND SUPERVISION

Introduction

This Rule covers the opening, operation and supervision of institutional accounts, which are accounts for investors that are not individuals who meet the requirements of the definition herein.

This document sets out minimum standards governing the opening, operation and supervision of institutional accounts.

Pursuant to Rule 38, the Dealer Member must provide adequate resources and qualified supervisors to achieve compliance with these standards.

Adherence to the minimum standards requires that a Dealer Member have in place procedures to properly open and operate institutional accounts and monitor their activity. Following these minimum standards, however, does not:

(a) relieve a Dealer Member from complying with specific SRO by-laws, rules, regulations and policies and securities or other legislation applicable to particular trades or accounts; (e.g. best execution obligation, restrictions on short selling, order designations and identifiers, exposure of customer orders, trade disclosures);

(b) relieve a Dealer Member from the obligation to impose higher standards where circumstances clearly dictate the necessity to do so to ensure proper supervision; or

(c) preclude a Dealer Member from establishing higher standards.

Any account which is not an institutional account governed by these standards will be governed by the Minimum Standards for Retail Account Supervision (Rule 2500).

A Dealer Member may, with the written approval of the Corporation, establish policies and procedures that differ from this Rule, provided that, in the opinion of the Corporation, the Dealer Member's policies and procedures are appropriate to supervise trading of its institutional customers.

I. Customer Suitability

1. When dealing with an institutional customer, a Dealer Member must make a determination whether the customer is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed to that institutional customer. Where a Dealer Member has reasonable grounds for concluding that the institutional customer is capable of making an independent investment decision and independently evaluating the investment risk, then a Dealer Member's suitability obligation is fulfilled for that transaction. If no such reasonable grounds exist, then the Dealer Member must take steps to ensure that the institutional customer fully understands the investment product, including the potential risks.

2. In making a determination whether a customer is capable of independently evaluating investment risk and is exercising independent judgment, relevant considerations could include:

   (a) any written or oral understanding that exists between a Dealer Member and its customer regarding the customer's reliance on the Dealer Member;

   (b) the presence or absence of a pattern of acceptance of the Dealer Member's recommendations;

   (c) the use by a customer of ideas, suggestions, market views and information obtained from other Dealer Members, market professionals or issuers particularly those relating to the same type of securities;

(d) the use of one or more investment dealers, portfolio managers, investment counsel or other third party advisors;

(e) the general level of experience of the customer in financial markets;

(f) the specific experience of the customer with the type of instrument(s) under consideration, including the customer's ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk; and

(g) the complexity of the securities involved.

3. A Dealer Member has no suitability obligation under Section I.1 and is not required to make a determination required under Section I.2 when the Dealer Member executes a trade on the instructions of another Dealer Member, a portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer.

4. A Dealer Member has no suitability obligation under Section I.1and is not required to make a determination required under Section I.2 when the Dealer Member executes a trade on the instructions of a "permitted client" as defined in Section 1.1(1) of National Instrument 31-103, other than an individual or a customer described in Section I.3, if the customer has waived, in writing, the protections offered to the customer under Sections I.1 and I.2

II. New Account Documentation and Approval

1. A Dealer Member must complete a new customer account form for each Institutional Customer;

2. A Dealer Member may establish a 'master' new account documentation file, containing full documentation and, when opening sub-accounts, it should refer to the principal or 'master' account with which it is associated.

3. Each new account must be approved by a Supervisor who is Department Head or his or her designate prior to the initial trade or promptly thereafter. Such approval must be recorded in writing or auditable electronic form.

4. The Dealer Member must exercise due diligence to ensure that the new customer account form is updated whenever the Dealer Member becomes aware that there is a material change in customer information.

III. Establishing and Maintaining Procedures, Delegation and Education

Introduction

Effective self-regulation begins with the Dealer Member establishing and maintaining a supervisory environment which fosters both the business objectives of the Dealer Member and maintains the self-regulatory process. To that end, a Dealer Member must establish and maintain procedures which are supervised by qualified individuals.

A. Establishing Procedures

1. A Dealer Member must appoint a designated Supervisor, who has the necessary knowledge of industry regulations and Dealer Member policy to properly establish procedures reasonably designed to ensure adherence to regulatory requirements and to supervise Institutional Accounts.

2. Written policies must be established to document and communicate supervisory requirements.

3. All supervisory alternates must be advised of and adequately trained for their supervisory roles.

4. All policies established or amended should have senior management approval.

B. Maintaining Procedures

1. Evidence of supervisory reviews must be maintained for seven years and on-site for one year.

2. A periodic review of supervisory policies and procedures should be carried out by the Dealer Member to ensure they continue to be effective and reflect any material changes to the businesses involved.

C. Delegation of Procedures

1. Tasks and procedures may be delegated but not responsibility.

2. The supervisor delegating the task must take steps designed to ensure that these tasks are being performed adequately and that exceptions are brought to his/her attention.

3. Those to whom tasks are delegated must have the qualifications to perform them and should be advised in writing what is expected.

D. Education

1. The Dealer Member's current sales practices and policies must be made available to all sales and supervisory personnel. Dealer Members should obtain and record acknowledgements from all sales and supervisory personnel that they have received, read and understood the policies and procedures relevant to their responsibilities.

2. A major aspect of self-regulation is the ongoing education of staff. The Dealer Member is responsible for appropriate training of institutional sales and trading staff, as well as ensuring that Continuing Education requirements are being met.

E. Compliance Monitoring Procedures

Dealer Members must establish compliance procedures for monitoring and reporting adherence to rules, regulations, requirements, policies and procedures. A compliance monitoring system should be reasonably designed to prevent and detect violations. The compliance monitoring system will ordinarily include a procedure for reporting results of its monitoring efforts to management and, where appropriate, the board of directors or its equivalent.

IV. Supervision of Accounts

A. Policies and Procedures

1. Dealer Members must implement policies and procedures for the supervision and review of activity in the accounts of institutional customers. Such procedures may include periodic reviews of account activity, exception reports or other means of analysis.

2. The policies and procedures may vary depending on factors including, but not limited to, the type of product, type of customer, type of activity or level of activity.

3. The policies and procedures should outline the action to be taken to deal with problems or issues identified from supervisory reviews.

B. Account Activity Detection

The supervisory procedures and the compliance monitoring procedures should be reasonably designed to detect account activity that is or may be a violation of applicable securities legislation, requirements of any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place, and would include the following:

1. Manipulative or deceptive methods of trading;

2. Trading in restricted list securities;

3. Employee or proprietary account frontrunning;

4. Exceeding position or exercise limits on derivative products; and

5. Transactions raising a suspicion of money laundering or terrorist financing activity.

V. Client Complaints

1. Each Dealer Member must establish procedures to deal effectively with client complaints.

   (a) The Dealer Member must acknowledge all written client complaints.

   (b) The Dealer Member must convey the results of its investigation of a client complaint to the client in due course.

   (c) Client complaints involving the sales practices of a Dealer Member, its partners, directors, officers or employees must be in writing and signed by the client and then handled by sales supervisors or compliance staff. Copies of all such written submissions must be filed with the compliance department of the Dealer Member.

   (d) Each Dealer Member must ensure that registered representatives and their supervisors are made aware of all complaints filed by their clients.

2. All pending legal actions must be made known to head office.

3. Each Dealer Member must put procedures in place so that senior management is made aware of complaints of serious misconduct and of all legal actions.

4. Each Dealer Member must maintain an orderly record of complaints together with follow-up documentation for regular internal/external compliance reviews. This record must cover the past two years at least.

5. Each Dealer Member must establish procedures to ensure that breaches of the by-laws, regulations, rules and policies of the SROs as well as applicable securities legislation are subjected to appropriate internal disciplinary procedures.

6. When a Dealer Member finds complaints to be a significant factor, internal procedures and practices should be reviewed, with recommendations for changes to be submitted to the appropriate management level.

15. Dealer Member Rule 2900, Part I is repealed and replaced by:

RULE 2900

PROFICIENCY AND EDUCATION:

PART I – PROFICIENCY REQUIREMENTS

INTRODUCTION

This Part I outlines the proficiency requirements for Approved Persons. These proficiency requirements consist of both entrance thresholds and on-going requirements.

DEFINITIONS

For the purpose of this Part I:

“Recognized Foreign Self-regulatory Organization” means a foreign self-regulatory organization which offers a reciprocal treatment to Canadian applicants and which has been approved as such by Corporation.

All courses and examinations, unless otherwise specified, are administered by CSI Global Education Inc.

A. Proficiency Requirements for Approved Persons

1. Supervisors

(a) The proficiency requirements for Supervisors of Approved Persons dealing with retail customers are:

(i) Two years of relevant experience working for a broker or dealer in securities or such equivalent experience as may be acceptable to the applicable District Council;

(ii) If supervising Registered Representatives dealing with retail customers, successful completion of

A. The Branch Managers Course, and

B. The Effective Management Seminar within 18 months after beginning to supervise Registered Representatives dealing with retail customers .

(iii) If supervising Investment Representatives only, successful completion of the Branch Managers Course

(iv) If supervising options trading, successful completion of The Options Supervisors Course

(v) If supervising futures contract and futures contract options, successful completion of:

A. 1. The Derivatives Fundamentals Course and the Futures Licensing Course ("FLC"), or

2. The FLC and the National Commodity Futures Examination administered by the National Association of Securities Dealers;

and

B. the Canadian Commodity Supervisors Examination.

(b) The proficiency requirements for Supervisors of Approved Persons dealing with institutional accounts only are:

(i) Successful completion of:

A. The Branch Managers Course, or

B. the Partners, Directors and Senior Officers Course, and

(ii) The proficiency requirements necessary to conduct or supervise any trading activity carried on by Approved Persons he or she supervises.

2. Directors and Executives

The proficiency requirements for a Director or Executive under Rule 7.3 or 7.4 are:

(a) Successful completion of the Partners, Directors and Senior Officers Course;

(b) If also approved in a trading category, successful completion of the applicable proficiency requirements; and

(c) If supervising the handling of customer accounts, successful completion of the applicable proficiency requirements for a Supervisor.

2A. Chief Financial Officers

1. The proficiency requirements for a chief financial officer pursuant to Rule 38.6 are:

   (a) A financial accounting designation, university degree or diploma, or equivalent work experience; and

   (b) Successful completion of the Partners, Directors and Senior Officers Course, and

   (c) Successful completion of the Chief Financial Officers Qualifying Examination.

2. A person approved as Acting Chief Financial Officer pursuant to Rule 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officers Qualifying Examination.

3. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Financial Officers Qualifying Examination within 10 days of the dates specified for successful completion in section 2 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board of Directors may from time to time prescribe.

2B. Chief Compliance Officers

1. The proficiency requirements for a chief compliance officer pursuant to Rule 38.7 are:

   (a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination;

   and

   (b) Successful completion of the Chief Compliance Officers Qualifying Examination.

2. Notwithstanding subsection 1(b) above, any person approved as Chief Compliance Officer with a Dealer Member as of October 1, 2007 shall have until April 1, 2009 to successfully complete the Chief Compliance Officers Examination in order to maintain approval as Chief Compliance Officer.

3. A person approved as acting Chief Compliance Officer pursuant to Rule 38.7 shall have 90 days from the date of termination of the Chief Compliance Officer to successfully complete of the Chief Compliance Officers Qualifying Examination.

4. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Compliance Officers Qualifying Examination within 10 days of the dates specified for successful completion in sections 2 or 3 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board of Directors may from time to time prescribe.

3. Registered Representatives and Investment Representatives

The proficiency requirements for a Registered Representative or Investment Representative under Rule 18.3 are:

(a) (i) Successful completion of

   (A) The Canadian Securities Course prior to commencing the training programme described in subsection (C),

   (B) The Conduct and Practices Handbook Course, and

   (C) Either

1. For a Registered Representative dealing with retail customers a three-month training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis, or

2. For an Investment Representative, a 30-day training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis;

or

(ii) Successful completion of the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization within three years prior to application with the Corporation;

and

(b) For a Registered Representative dealing with retail customers other than a registered representative dealing in mutual funds only, successful completion of the Wealth Management Essentials course within 30 months after his or her approval as a Registered Representative.

4. Registered Representatives and Investment Representatives Dealing only in Mutual Funds

The proficiency requirement for a Registered Representative or Investment Representative dealing only in mutual funds under Rule 18.7 is successful completion of:

(a) The Canadian Securities Course;

(b) The Canadian Investment Funds Course administered by IFIC,

(c) The Investment Funds in Canada Course administered by the Institute of Canadian Bankers, or

(d) The Principles of Mutual Funds Investment Course administered by the Canadian Trust Institute.

5. Traders

The proficiency requirement for a Trader under Rule 500.2 is:

(a) for a Trader on the Toronto Stock Exchange or TSX Venture Exchange, the Trader Training Course, unless an exemption is granted by either exchange or its market regulation services provider.

(b) for a Trader on the Bourse de Montreal, the proficiency requirements determined to be acceptable by Bourse de Montreal.

6. Portfolio Management

6.1 The proficiency requirements for a Registered Representative providing discretionary portfolio management for managed accounts that do not trade in futures contracts are:

(a) Successful completion of

(i) The Conduct and Practices Handbook Course, and

(ii) either

A. The Portfolio Management Techniques Course and The Investment Management Techniques Course, or

B. The three levels of the Chartered Financial Analyst programme administered by the CFA Institute

and

(b) Experience

(i) Of at least three years as a registered representative or a research analyst for a Dealer Member,

(ii) Of at least two years ending not more than three years prior to the date of application as a registered advisor under Canadian securities legislation managing on a discretionary basis at least $5,000,000 in aggregate assets; or

(iii) Of at least five years ending not more than three years prior to the date of application, managing a portfolio of $5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution.

6.2 The proficiency requirements for Registered Representative exercising discretionary authority over managed accounts trading in futures contracts or futures contracts options are:

(a) Successful completion of

(i) The Canadian Commodity Supervisors Exam, the Futures Licensing Course and the courses necessary to attain the Derivatives Market Specialist Designation; or

(ii) The Chartered Financial Analyst program administered by the CFA Institute; and

(b) Experience ending no earlier than three years prior to the date of commencing to exercise discretionary authority over managed accounts of at least 5 years as an Approved Person actively engaged in advising on and trading in futures contracts or futures contracts options for customer accounts.

7. Commodity Futures Contracts and Options

7.1 The proficiency requirements for a Registered Representative or Investment Representative who deals with customers in futures contracts or futures contract options are successful completion of:

(a) The Derivatives Fundamentals Course and the Futures Licensing Course, or

(b) The Futures Licensing Course and the National Commodity Futures Examination administered by the Financial Industry Regulatory Authority.

8. Options

The proficiency requirement for a Registered Representative or Investment Representative who deals with customers in options is successful completion of the Derivatives Fundamentals Course and the Options Licensing Course.

B. General Exemption

1. The applicable District Council may, under Rule 20.24, exempt any person or class of persons from the proficiency requirements on such terms and conditions, if any, as the applicable District Council may see fit.

2. The Board of Directors may prescribe a fee to be paid for any exemption application under paragraph 1.

16. Dealer Member Rule 2900, Part II is repealed and replaced by:

RULE 2900

PROFICIENCY AND EDUCATION:

PART II – EXAMINATION REWRITE REQUIREMENTS AND COURSE AND EXAMINATION EXEMPTIONS

INTRODUCTION

This Part II outlines the exemptions that exist from the Corporation's course and examination requirements for persons seeking to be approved in certain categories of registration. This Part II exempts applicants from the requirement to rewrite courses or examinations that they have successfully completed if they are re-entering the industry, re-registering in a category of registration or seeking initial registration within certain time periods. This Part II also provides exemptions to applicants from the requirements to initially write a course or examination if the applicant satisfies one of the specifically enumerated exemptions based on grandfathering provisions or the successful completion of other courses and examinations. In addition, this Part II sets out the basis upon which the applicable District Council may grant a discretionary exemption.

All courses and examinations, unless otherwise specified, are administered by CSI Global Education Inc.

A. Requirement to Rewrite Courses and Examinations

1. Current and Former Approved Persons

(a) An applicant for Approval who was previously approved in a category must complete a proficiency requirement if he or she has not been approved in the category to which the requirement applies within the three years prior to the date of application.

(b) An Applicant or Approved Person who has previously conducted a type of business must complete a proficiency required to conduct the type of business if he or she has not conducted the type of business within the past three years.

(c) Sections (a) and (b) do not apply to new or amended course requirements not required when the Approved Person or applicant for Approval was initially approved or began to conduct the type of business, provided that the applicant was not under a requirement to complete the course or examination when the applicant's approval lapsed.

2. Approval after Completion of Course

An applicant for Approval who has never been approved or conducted a type of business must rewrite a required examination or course if it was completed more than two years before the date of application.

3. The Canadian Securities Course

(a) An applicant for approval who has not previously been approved in a category or conducted a type of business requiring the Canadian Securities Course who would otherwise be required to rewrite the course is exempt if the applicant has:

(i) within two years prior to the date of application, successfully completed any one of the Professional Financial Planning Course, Wealth Management Techniques Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute, or;

(ii) within three years prior to the date of application completed the New Entrants Course or the Canadian Securities Course

(b) An applicant for approval in a category or to conduct business requiring the Canadian Securities Course who was approved in a category or conducted a type of business requiring the course and who would otherwise be required to rewrite the course is exempt if the applicant has within three years prior to the date of application successfully completed any one of the Professional Financial Planning Course, Wealth Management

Techniques Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute.

4. The Chief Financial Officers Qualifying Examination

An applicant who would otherwise be required to rewrite the Chief Financial Officers Qualifying Examination is exempt if the applicant has, since completing the Chief Financial Officers Qualifying Examination, been working closely with and providing assistance to a Chief Financial Officer.

5. The Derivatives Fundamentals Course

(a) An applicant for Approval or Approved Person who will be dealing with customers in futures contracts or futures contracts options and who would otherwise be required to rewrite the Derivatives Fundamentals Course is exempt if the applicant or Approved Person has within the past two years completed the Futures Licensing Course or the Canadian Commodity Supervisors Examination.

(b) An applicant for Approval or Approved Person who will be dealing with customers in options and who would otherwise be required to rewrite the Derivatives Fundamentals Course is exempt if the applicant or Approved Person has within the past two years completed the Options Licensing Course.

6. The Futures Licensing Course

An applicant for Approval or Approved Person who will be dealing with customers in futures contracts or futures contracts options and who would otherwise be required to rewrite the Futures Licensing Course is exempt if the applicant or Approved Person has within the past two years completed the Canadian Commodity Supervisors Examination.

7. The Wealth Management Essentials course

An applicant who would otherwise be required to rewrite the Wealth Management Essentials Course is exempt if the applicant is currently seeking approval within two years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course, or the Wealth Management Techniques Course.

8. 30-Day Training Program

An applicant is exempt from re-doing the 30-day training program required under Rule 2900 Part 1, section 3(a)(iii) B if, within three years prior to application, the applicant was approved for trading for retail clients in securities with a Dealer Member or by a recognized foreign regulatory authority or self regulatory organization or a Canadian securities regulatory authority.

9. 90-Day Training Program

An applicant is exempt from re-doing the 90-day training program required under Rule 2900 Part 1, section 3(a)(iii) A if, within three years prior to application, the applicant was approved for trading and advising retail clients in securities with a Dealer Member or by a recognized foreign regulatory authority or self regulatory organization or a Canadian securities regulatory authority.

B. Exemptions from Writing

1. Current and Former Approved Persons

(a) An Approved Person is exempt from completing a new or amended proficiency requirement not in place at the time he or she was approved in a category unless the rule setting the requirement specifically provides otherwise.

(b) An applicant for approval who was an Approved Person is exempt from completing a new or amended proficiency requirement not in place at the time of the applicant's previous

approval in the same category for three years after the applicant's previous approval lapsed unless the rule setting the requirement specifically provides otherwise.

2. The Canadian Securities Course

An applicant is exempt from writing the Canadian Securities Course if the applicant has previously been registered or licensed with a recognized foreign regulatory authority or self-regulatory organization and has successfully completed the New Entrants Course within two years of the application.

3. The Derivatives Fundamentals Course

An applicant is exempt from writing the Derivatives Fundamentals Course if the applicant is seeking approval within two years of successfully completing the Options Course Licensing Course, the Options Supervisors Course, the Futures Licensing Course, or the Canadian Commodity Supervisors Examination.

4. The Wealth Management Essentials Course

An applicant is exempt from writing the Wealth Management Essentials Course if the applicant

(a) (i) has successfully completed the Investment Management Techniques Course or the Professional Financial Planning Course prior to July 4, 2008, having been enrolled prior to July 4, 2006 and

(ii) is seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or

(b) Is seeking re-approval within three years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course.

5. 90-Day Training Program

An applicant is exempt from completing the 90-day training program if, within three years prior to application, the applicant was approved or registered with a Dealer Member, securities dealer or investment dealer; or by a recognized foreign regulatory authority or self regulatory organization; or as an investment advisor by a Canadian securities regulatory authority in a capacity permitting trading and advising in securities to retail clients.

6. 30-Day Training Program

An applicant is exempt from completing the 30-day training program if, within three years prior to application, the applicant was registered with a Dealer Member, securities dealer or investment dealer; or by a recognized foreign regulatory authority or self regulatory organization; or as an investment advisor by a Canadian securities regulatory authority in a capacity permitting trading in securities to retail clients.

C. Discretionary Exemptions

(a) The applicable District Council may, under Rule 20.24, grant an exemption from the requirement to rewrite or write any required course or examination, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption, if the applicant demonstrates adequate experience and/or successful completion of industry courses or examinations that the applicable District Council, in its opinion, determines is an acceptable alternative to the required proficiency.

(b) The Board of Directors may prescribe a fee to be paid for any exemption application under this Rule 2900 Part II.

BE IT RESOLVED that the Board of Directors adopt, on this 16th day of July, 2008, the English and French versions of these amendments. The Board of Directors also authorizes IIROC Staff to make the minor changes that shall be required from time to time by the securities administrators with jurisdiction. These amendments shall take effect on the date determined by IIROC Staff.

RULE 1

INTERPRETATION AND EFFECT

1.1. In these Rules unless the context otherwise requires, the expression:

"Affiliate" or "Affiliated Corporation" means in respect of two corporations, either corporation if one of them is the subsidiary of the other or if both are subsidiaries of the same corporation or if each of them is controlled by the same person;

"Approved Lender" means a chartered bank, an acceptable counterparty or acceptable institution as defined in Form 1, an industry investor, a Dealer Member or any other lender so designated by the Board of Directors;

"Approved Person" means, in respect of a Dealer Member, an individual who is a partner, director, officer, employee or agent of a Dealer Member who is approved by the Corporation or another Canadian Self Regulatory Organization to perform any function required under any Rule~~.~~;

"Applicable" in relation to a District Council means the District Council for the District:

(1) In which the applicant for Membership or the Dealer Member has its principal office and, in the case of a holding company of a Dealer Member corporation, in which the Dealer Member corporation has its principal office;

(2) In which the branch office or sub-branch office will be located or in which the applicant for approval as a branch manager, sales manager or assistant or co-branch manager resides;

(3) In which the applicant for approval as a new partner, director, officer or investor resides provided that if such partner, director, officer or investor has changed his or her place of residence to another District within 3 months prior to the change for which approval is being sought then the applicable District Council shall be the District Council for the District where the applicant formerly resided;

(4) In which the applicant for approval as a registered representative or investment representative resides;

(5) In which the applicant for approval as a futures contract principal, futures contract options principal or a person who deals with customers with respect to futures contracts or futures contract options resides;

(6) In which the applicant for approval as a portfolio manager, securities option portfolio manager, futures contract options portfolio manager or futures contracts portfolio manager resides;

(7) In which the respondent, if an individual, in a disciplinary action pursuant to Rule 20 was approved at the time the activities which are the subject of the disciplinary action primarily occurred, provided that,

(a) If the individual was approved in more than one District at the relevant time, and the matter which is the subject of the disciplinary action involves a client in a District where the respondent was approved other than that in which the respondent resides, in which such client resided at the time such activities occurred; or

(b) If the applicable District Council cannot otherwise be determined, in which the respondent resided at the relevant time; or

(8) In which the activities which are the subject of a disciplinary action against a respondent Dealer Member pursuant to Rule 20 primarily occurred, or, if such activities are not referable to any specific District, in which the principal office of the respondent Dealer Member is located, provided that, if a disciplinary action involves both an individual and a Dealer Member, the District Council having jurisdiction pursuant to clause (7) herein~~.~~;

"Beneficial Ownership" in respect of any securities includes ownership by:

(i) A person other than a corporation, of securities beneficially owned by a corporation controlled by him or her or by an affiliate of such corporation; and

(ii) A corporation of securities beneficially owned by its affiliates;

~~;~~

"Business Location" means a physical location at which any employee or agent of a Dealer Member conducts on a regular and ongoing basis business requiring approval of the Corporation or registration under Provincial securities legislation;

"Callable Debt Security" means a security described in Rule 100.2A(a), which allows the issuer to redeem the security at a fixed price (the call price), subject to the call protection period;

"Call Protection Period" means the period of time during which the issuer cannot redeem a callable debt security;

"Chartered Bank" means a bank incorporated under the Bank Act (Canada);

"Control" or "Controlled", in respect of a corporation by another person or by two or more corporations, means the circumstances where:

(i) Voting securities of the first-mentioned corporation carrying more than 50% of the votes for the election of directors are held, other than by way of security only, by or for the benefit of the other person or by or for the benefit of the other corporations; and

(ii) The votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of the first-mentioned corporation,

And where the applicable District Council in respect of a particular Dealer Member or its holding company orders that a person shall, or shall not, be deemed to be controlled by another person, then such order shall be determinative of their relationships in the application of the Rules and Rulings with respect to that Dealer Member or holding company;

"Dealer Member Corporation" means an incorporated Dealer Member;

"Debt" means an investment which provides the holder with a legal right, in specified circumstances, to demand payment of the amount owing and includes a debtor-creditor relationship whether or not represented by a written instrument or security;

~~;"Designated Person" or a "Designated" Partner, Director, Officer, Futures Contract Principal, Futures Contract Options Principal or Registered Options Principal means either:~~

~~(i) An Ultimate Designated Person who is either~~

~~(a) The Chief Executive Officer,~~

~~(b) President,~~

~~(c) Chief Operating Officer,~~

~~(d) Chief Financial Officer, or~~

~~(e) Such other officer designated with the equivalent supervisory and decision-making responsibility who has been granted approval by the Corporation to act as the Ultimate Designated Person;~~"Designated Supervisor" means a Supervisor designated by a Dealer Member as having responsibility to fulfill a supervisory role defined in a Rule, including but not limited to:

~~(ii) An Alternate Designated Person who~~

~~(a) Has been appointed by the Dealer Member to ensure continuous supervision,~~

~~(b) Is registered as a partner, director, officer or is in the process of applying as one, and~~

~~(c) Has been granted approval by the Corporation to act as an Alternate Designated Person; or~~

~~(iii) Except where expressly prohibited, a Chief Compliance Officer who~~

~~(a) Has been appointed by the Dealer Member,~~

~~(b) Is registered as a partner, director, officer or is in the process of applying as one, and~~

~~(c) Has been granted approval by the Corporation to act as a Chief Compliance Officer.~~

(1) the Supervisor designated to be responsible for the opening of new accounts and the supervision of account activity under Rule 1300.2

(2) the Supervisor designated to be responsible for the supervision of discretionary accounts under Rule 1300.4

(3) the Supervisor designated to be responsible for the supervision of managed accounts under Rule 1300.15

(4) the Supervisor designated to be responsible for the supervision of options accounts under Rule 1800.2(a)

(5) the Supervisor designated to be responsible for the supervision of futures contract accounts under Rule 1900.2

(6) the Supervisor or Supervisors designated to pre-approve advertising, sales literature and correspondence, including research reports, under Rule 29.7(3) and Rule 3400, Guideline 7;

"Director" means a member of the Board of Directors of, as the context dictates, a Dealer Member or the Corporation or a person performing a similar function in a Dealer Member that is not a corporation;

"Equity Investment" means an investment the holder of which has no legal right to demand payment until the issuing corporation or its board of directors has passed a resolution declaring a dividend or other distribution, or winding-up of the issuing corporation;

"Executive" means a partner, director or officer of a Dealer Member who is involved in the management of the Dealer Member, including but not limited to anyone fulfilling the role of chair or a vice-chair of the Board of Directors, chief executive officer, president, chief administrative officer, chief financial officer, chief compliance officer, member of an executive management committee or any position designated by a Dealer Member as being an Executive position;

"Extendible Debt Security" means a security described in Rule 100.2A(b), which allows the holder, during a fixed time period, to extend the maturity date of the security to the extension maturity date, and to change the principal amount of the security to a fixed percentage (the extension factor) of the original principal amount;

"Extension Election Period" means the period of time during which the holder may elect to extend the maturity date and change the principal amount of, an extendible debt security;

"Extension Factor" means, if any, the fixed percentage that should be used to change the original principal amount of the extendible debt security when the maturity date is deemed to be equal to the extension maturity date;

"Fully Participating Security" means a participating security other than a limited participation security;

"Guaranteeing" includes becoming liable for, providing security for or entering into an agreement (contingent or otherwise) having the effect or result of so becoming liable for or providing security for a person, including an agreement to purchase an investment, property or services, to supply funds, property or services or to make an investment primarily for the purpose of directly or indirectly enabling such person to perform its obligations in respect of such security or investment or assuring the investor of such performance;

"Holding Company" means, in respect of any corporation, any other corporation which owns more than 50 per cent of each class or series of voting securities and more than 50 per cent of each class or series of participating securities of the corporation or of any other corporation which is a holding company of the corporation, but an industry investor shall not be considered to be a holding company by reason of the ownership of securities in its capacity as an industry investor and the applicable District Council in its discretion may deem any person (including but not limited to a corporation) to be or not to be a holding company for the purposes of the Rules;

"Individual" means a natural person, other than an individual who is a Dealer Member;

"Industry Investor" means, in respect of any Dealer Member or holding company of a Dealer Member corporation, any of the following who owns a beneficial interest in an investment in the Dealer Member or holding company:

(i) The Dealer Member's full-time officers and employees or the full-time officers and employees of a related company or affiliate of the Dealer Member which carries on securities related activities;

(ii) Spouses of individuals referred to in clause (i);

(iii) An investment corporation, if:

(a) A majority of each class of the voting securities of the investment corporation is held by individuals referred to in clause (i); and

(b) All interests in all other equity securities of the investment corporation are beneficially owned by individuals referred to in clause (i) or (ii) or their children or by industry investors with respect to the particular Dealer Member or holding company;

(iv) A family trust established and maintained for the benefit of individuals referred to in clause (i) or (ii) or their children, if

(a) Full direction and control of the trust, including, without limitation, its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio, are maintained by individuals referred to in clause (i) or (ii); and

(b) All beneficiaries of the trust are individuals referred to in clause (i) or (ii) or their children or industry investors with respect to the particular Dealer Member or holding company of a Dealer Member corporation;

(v) A registered retirement savings plan established under the *Income Tax Act (Canada)* by an individual referred to in clause (i) or (ii) if control over the investment policy of the registered retirement savings plan is held by that individual and if no other person has any beneficial interest in the registered retirement savings plan;

(vi) A pension fund established by a Dealer Member for its officers and employees if the pension fund is organized so that full power of its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio is held by individuals referred to in clause (i);

(vii) The estate of an individual referred to in clause (i) or (ii) for a period of one year after the death of such individual or such longer period as may be permitted by the applicable District Council;

(viii) Any investor referred to in clause (i), (ii), (iii), (iv) or (v) for a period of 90 days or such longer period as the Corporation may permit after the individual who, in the case of clause (i), is the investor or, in the case of such other clauses, is the person through whom the industry investor qualifies as such, is no longer in the employment of the Dealer Member, related company or affiliate, as the case may be, in respect of which he or she has been approved;

But any of the foregoing is an industry investor only if an approval for purposes of this definition has been given, and not withdrawn, by the board of directors of such Dealer Member or holding company, as the case may be, and by the applicable District Council;

"Institutional Customer" means:

(1) An Acceptable Counterparty (as defined in Form 1);

(2) An Acceptable Institution (as defined in Form 1);

(3) A Regulated Entity (as defined in Form 1);

(4) A Registrant (other than an individual registrant) under securities legislation; or

(5) A non-individual with total securities under administration or management exceeding $10 million;

"Investment" in any person means any security or debt obligation issued, assumed or guaranteed by such person, any loan to such person, and any right to share or participate in the assets, profit or income of such person;

"Investment Representative" means ~~any person~~a partner, director, officer, employee or agent of a Dealer Member who trades in but does not advise on ~~trades in securities, options, futures contracts or futures contract options with the public in Canada, other than a person who trades exclusively in securities of or guaranteed by the government of Canada or any province of Canada or any municipality in Canada, and shall include an investment representative (mutual funds) approved pursuant to Rule 18.7~~an investment product on behalf of the Dealer Member;

"Investor" means any person who has an interest in an investment;

"Junior Subordinated Debt" means subordinated debt, which is subordinated to other subordinated debt;

"Limited Participation Security" means indebtedness or a preferred share that

(i) Carries interest or dividends at a fixed rate, and, if dividends, cumulative and payable in priority to any dividends to the holders of common shares;

(ii) If indebtedness, is repayable at any time and, if a preferred share, is redeemable at any time, in either case at a price that may include a premium if the premium is not based on earnings or retained earnings;

(iii) Is limited in its participation in earnings to an amount not exceeding annually one-half of the annual fixed interest or dividend rate, although such participation may be cumulative; and

(iv) Is subject to subordination or equivalent arrangements such that the return to the holders thereof on a bankruptcy would not be adversely affected by section 110 of the Bankruptcy Act (Canada) or equivalent legislation,

And which is approved as a limited participation security by the applicable District Council;

"Membership" means membership in the Corporation as a Dealer Member;

"Non-participating Security" means a security with a claim limited to interest or dividends at a fixed rate;

"Non-subordinated Debt" means debt, which is not subordinated debt;

~~"Officer" means the chair and vice-chair of the board of directors, president, vice-president, chief executive officer, chief financial officer, chief operating officer, secretary, any other person designated an officer of a Dealer Member by law or similar authority, or any person acting in a similar capacity on behalf of a Dealer Member;~~

"Ordinary Course Indebtedness" means all debt other than debt which is a restrictive or participating security or subordinated debt;

"Ownership Interest" means all direct or indirect ownership of the participating securities;

"Parent" (where used to indicate a relationship with another corporation) means a corporation that has the other corporation as a subsidiary;

"Participating Security" means a security which entitles the holder thereof to participation, limited or unlimited, in the earnings or profits of the issuer, either alone or in addition to a claim for interest or dividends at a fixed rate, and includes, except where the reference is to "outstanding" participating securities, a security which entitles the holder thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire a participating security;

"Person" means an individual, a partnership, or corporation, a government or any department or agency thereof, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual;

"Predecessor Organization" means the Investment Dealers Association of Canada;

"Public Ownership of Securities" means the ownership of securities (other than ordinary course indebtedness) by any person other than an industry investor, except that ownership by approved lenders of securities of a Dealer Member or a holding company does not, of itself, constitute public ownership of securities;

"Qualified Independent Underwriter" means, in respect of the distribution of securities of a Dealer Member corporation or a holding company of a Dealer Member corporation, a securities firm which is a member of a self-regulatory organization, and:

(i) Has engaged in the securities business for at least five years immediately preceding the filing of the prospectus or other equivalent document;

(ii) As of the date the distribution commences:

(a) If a corporation, the majority of the members of its board of directors

(b) If a partnership, the majority of its general partners

Has engaged in the securities business for the five-year period immediately preceding that date;

(iii) Has engaged in the underwriting of public offerings of securities for the five-year period immediately preceding the date the distribution commences; and

(iv) Is not an associate or affiliate of the corporation whose securities it is underwriting;

"Recognized Stock Exchange" means any stock exchange designated by the Board of Directors for the purposes of any one or more of these Rules;

~~"Registered Representative" means any person who trades or advises on trades in securities, options, futures contracts, or futures contract options with the public in Canada other than a person who trades or advises on trades exclusively in securities of or guaranteed by the government of Canada or any province of Canada or any municipality in Canada, and shall include a registered representative (mutual funds) approved pursuant to Rule 18.7 and a registered representative (non retail) approved pursuant to Rule 18.8;~~

"Registered Representative" means a partner, director, officer, employee or agent of a Dealer Member who trades and advises on trades in an investment product on behalf of the Dealer Member;

"Related Company" means a sole proprietorship, partnership or corporation which:

(i) Is related to a Dealer Member in that either of them, or its partners in, and directors, officers, shareholders and employees of, it, individually or collectively, have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies;

(ii) Is a securities dealer or adviser in Canada; and

(iii) Is a member of a participating institution of the Canadian Investor Protection Fund;

Provided that the Board of Directors may, from time to time, include in, or exclude from this definition any sole proprietorship, partnership or corporation, and change those included or excluded;

"Restrictive Security" means a security of a Dealer Member or a holding company of a Dealer Member corporation which, in the opinion of the applicable District Council, entitles the holder thereof to rights which give it a more extensive or substantial degree of influence on the Dealer Member or holding company of the operations thereof than is usual for a holder of the same amount of securities of the same type;

"Retail Customer" means a customer of a Dealer Member that is not an institutional customer;

"Retractable Debt Security" means a security described in Rule 100.2A(c), which allows the holder of the security, during a fixed time period to retract the maturity date of the security to the retraction maturity date, and to change the principal amount of the security to a fixed percentage (the retraction factor), of the original principal amount;

"Retraction Election Period" means the period of time during which the holder may elect to retract the maturity date, and change the principal amount of, a retractable debt security;

"Retraction Factor" means, if any, the fixed percentage that should be used to change the original principal amount of the retractable debt security when the maturity date is deemed to be equal to the retraction maturity date;~~"~~

"Rules" means these Rules and any Rules made pursuant to the By-laws of the Corporation~~."Sales Manager" shall include any person who has been assigned direct or indirect supervisory responsibility over any sales management personnel of a Dealer Member~~;

"Secretary" means the Secretary of the Corporation;

"Securities Commission" means in any jurisdiction, the commission, person or other authority authorized to administer any legislation in force relating to the offering and/or sale of securities or commodity futures to the public and/or to the registration or licensing of persons engaged in trading securities or commodity futures;

"Securities Dealer" means an individual, firm or corporation acting as dealer (principal) or broker (agent) in carrying out transactions in securities and commodity futures contracts or options on behalf of clients and includes, without limitation, acting as an underwriter or adviser;

"Securities Held for Safekeeping," means those securities held by a Dealer Member for a client pursuant to a written safekeeping agreement. These securities must be free from any encumbrance, be kept apart from all other securities and be identified as being held in safekeeping for a client in a Dealer Member's security position record, customer's ledger and statement of account. Securities so held can only be released pursuant to an instruction from the client and not solely because the client has become indebted to the Dealer Member.;

"Securities Related Activities" means acting as a securities dealer and carrying on any business which is incidental to or a necessary part of such activities provided that the Board of Directors may, from time to time, include in, or exclude from this definition any activities and change those included or excluded;

"Segregated Securities" means those clients' securities which are unencumbered and which have either been fully paid for or are excess margin securities. Segregated securities must be distinguished as being held in trust for the client owning the same. These securities must be described as being held in segregation on the Dealer Member's security position record (or related records), customer's ledger and statement of account. Whenever a client becomes indebted to a Dealer Member, the Dealer Member has the right to use, by sale or loan, previously segregated securities to the extent reasonably necessary to cover the indebtedness.~~"Senior Officer" means the chairman or a vice-chairman of the board of directors, the president, a vice president, the secretary, the treasurer or the general manager of a Dealer Member or any other individual who performs functions for a Dealer Member similar to those normally performed by an individual occupying any such office~~;

"Self-Regulatory Organization" means any of the Corporation, The TSX Venture Exchange, the Montreal Exchange and The Toronto Stock Exchange;

~~"Sub-branch Office" means any office of a Dealer Member having in total less than four registered representatives and supervised by a branch manager or a director, partner or officer designated pursuant to Rule 1300, who is not normally present at such sub-branch office;~~

"Subordinated Debt" means any debt the terms of which specify that its holder will not be entitled to receive payment if any payment to any holder of a senior class of debt is in default;

"Subsidiary", in respect of a corporation and another corporation, means the first mentioned corporation if:

(i) It is controlled by:

  (a) That other; or

  (b) That other and one or more corporations each of which is controlled by that other; or

  (c) Two or more corporations each of which is controlled by that other; or

(ii) It is a subsidiary of a corporation that is that other's subsidiary;

"Supervisor" means a person to whom a Dealer Member has given responsibility and authority and who is approved by the Corporation to manage the activities of other partners, directors, officers, employees or agents of the Dealer Member so as to ensure their compliance with laws and regulations governing their and the Dealer Member's securities-related activities;

"Voting Securities" of a Dealer Member or holding company of a Dealer Member corporation means all securities of the Dealer Member or holding company outstanding from time to time that carry the right to vote for the election of directors, and includes:

(i) Except where the reference is to "outstanding" voting securities, those securities which entitle the holders thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire voting securities; and

(ii) Preference shares which carry the right to vote for the election of directors only upon the occurrence of a specific event if such specific event has occurred.

1.2 Words importing the singular include the plural and vice versa and words importing any gender include any other gender.

1.3 Where the context indicates, references to a Dealer Member include the partners, directors, officers, employees and agents of the Dealer Member.

1.4 In the event of any dispute as to the intent or meaning of the By-laws or Rules or Rulings or Forms, the interpretation of the Board of Directors, subject to the provisions of Rule 33, shall be final and conclusive.

~~1.4~~1.5 The enactment of these Rules shall be without prejudice to any right, obligation or action acquired, incurred or taken under the By-laws of the Corporation and its Predecessor Organization as heretofore in effect or under the Rules, Rulings or Forms passed pursuant thereto, and any proceedings taken under the By-laws as heretofore in effect or under such Rules, Rulings or Forms shall be taken up and continued under and in conformity with these By-laws and the Rules, Rulings and Forms as from time to time in effect.

~~1.5~~1.6 Terms used in these Rules which are not defined herein shall have the same meanings as used or defined in General By-law No. 1 and the Hearing Committees and Hearing Panels Rule.

RULE 4

~~BRANCH OFFICE DEALER MEMBERS, BRANCH OFFICES AND SUB-BRANCH OFFICES~~

BUSINESS LOCATIONS

4.1. ~~Where any Dealer Member has one or more branch offices having a manager and staff either in the District in which the principal office of such Dealer Member is situated or in any other District, each such branch office shall be a Branch Office Dealer~~Every Business Location of a Dealer Member in a District having a Supervisor who is normally present at the Business Location is a Branch Office Member~~.~~ of the District.

4.2. ~~No~~There is no Membership or other fees ~~and assessments shall be payable in respect of any~~for Branch Office Membership.

4.3. A Branch Office ~~Dealer~~ Member ~~shall have~~has the same privileges in its District as any other ~~Dealer~~Branch Office Member except that at ~~all~~a District ~~meetings~~meeting each Dealer Member ~~shall have one vote only in respect of all its offices, whether principal or branch,~~has only one vote no matter how many Branch Office Members it has in the District.

4.4. The representative of any Branch Office ~~Dealer~~ Member in any District ~~shall be~~is eligible for election as Chair or member of the District Council of ~~such~~the District.

4.5. Each Branch Office ~~Dealer~~ Member ~~shall be entitled to~~may send one or more representatives to the Annual Meeting of the District.

4.5A. Repealed.

4.6.

~~(a) Each Dealer Member shall appoint a branch manager to be in charge of each of its branch offices and, where necessary to ensure continuous supervision of the branch office, a Dealer Member may appoint one or more assistant or co-branch managers who shall have the authority of a branch manager in the absence or incapacity of the branch manager. A branch manager shall be normally present at the branch of which he or she is in charge.~~

~~(b) A Dealer Member having a branch office that has no client accounts other than accounts for institutional clients as defined in Rule 2700 may appoint a branch manager (non-retail) to be in charge of the branch and, where necessary to ensure continuous supervision of the branch office, a Dealer Member may appoint one or more assistant or co-branch managers (non-retail), who shall have the authority of a branch manager in the absence or incapacity of the branch manager. A branch manager (non-retail) shall be normally present at the branch of which he or she is in charge.~~(c) ~~A Dealer Member shall~~A Dealer Member must notify the Corporation ~~as required~~ in accordance with Rule ~~40,~~40 of the opening or closure of a ~~branch office~~Business Location.

~~4.7. A Dealer Member having a sub-branch office shall designate as the supervisor of such office, a branch manager, or a director, partner or officer who is not normally present at such office. The business of the sub-branch office, including the entry of orders, shall be conducted through the head office of the Dealer Member or through the branch office designated as having supervisory responsibility for the sub-branch office. A Dealer Member shall notify the Corporation of the opening and closure of a sub-branch office in accordance with Rule 40.~~

~~4.7A. The Corporation may approve a proposed branch or sub-branch office to be established and maintained outside of Canada, provided that:~~

~~(a) The Dealer Member seeking approval for the branch or sub-branch office provides evidence satisfactory to the Corporation that the persons to be employed in such office are registered or licensed to carry on the business which is intended to be carried on at that office, pursuant to the laws of the jurisdiction in which the office will be located; and~~

~~(b) In the case of a proposed sub-branch, the proposed sub-branch office is within the same territorial jurisdiction as the branch office designated as having supervisory responsibility for such sub-branch office.~~

4.7. Repealed.

4.7A. Repealed.

4.8. Repealed.

~~4.9. No person shall act as a sales manager, branch manager, assistant branch manager, co-branch manager, branch manager (non-retail), assistant branch manager (non-retail) or co-branch manager (non-retail) unless the person:~~

~~(a) Has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900; and~~

~~(b) Has been approved by the Corporation.~~

~~4.9A. Failure to satisfy subclause A.1(a)(iii)C of Part I of Rule 2900 will result in the automatic suspension of approval. Approval will be reinstated only at such time as the individual has satisfied the applicable course requirement.~~

4.9. Repealed.

4.9A. Repealed.

4.10. Repealed.

4.11. Repealed.

~~4.12. Every person whose application for approval as a branch manager, assistant or co-branch manager or sales manager has been approved shall be subject to the jurisdiction of the Corporation, shall comply with the Rules and Rulings of the Corporation as the same are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her employment as a branch manager, assistant or co-branch manager or sales manager with the Dealer Member with whom he or she is employed at the time of such revocation.~~

~~4.13. No branch manager or assistant or co-branch manager shall accept, or permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, benefit or any other consideration from any person other than the Dealer Member or its affiliates or its related companies in respect of the activities carried out by such branch manager or assistant or co-branch manager on behalf of the Dealer Member or its affiliates or its related companies and in connection with the sale or placement of securities on behalf of any of them.~~

~~4.14 Each Dealer Member shall be liable and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member to file within ten business days of the end of each month, a report with respect to the conditions imposed on approval or continued approval of a branch manager, assistant or co-branch manager or sales manager of the Dealer Member pursuant to Rule 20.~~

4.12. Repealed.

4.13. Repealed.

4.14 Repealed.

RULE 7

DEALER MEMBER ~~PARTNERS,~~ DIRECTORS AND ~~OFFICERS~~EXECUTIVES

7.1 Definitions

For the purposes of this Rule ~~7.(a)~~ 7, "actively engaged in the business of the Dealer Member" means, participating in any regular business activities of the Dealer Member including but not limited to trading in securities or futures contracts and related services, research, investment banking, operations or promotion of the Dealer Member's services, but shall not include participation in meetings of the board of directors or related corporate governance committees of the board of directors or occasional referrals to the Dealer Member where such referrals do not result from solicitation of business on behalf of the Dealer Member~~;(b) "director" means a member of the board of directors of the Dealer Member~~.

7.2 Approval

No person ~~shall~~may be a ~~partner, director or officer~~Director or Executive of a Dealer Member unless that person has been approved as such by the Corporation.

7.3 ~~Partners and~~ Directors

(a) At least 40% of the ~~partners or directors~~Directors of a Dealer Member ~~shall~~must:

(1) Either:

(A) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,

~~(2) Be partners, officers or directors of~~B) Occupy positions at related or affiliated securities dealers~~,~~ or affiliated financial institutions ~~such as Canadian chartered banks, Quebec savings banks, trust or insurance companies licensed to do business in Canada or pension funds with aggregate net assets of not less than $5,000,000; and~~that a equivalent to that of a Director or Executive;

and

(~~3~~2) Have satisfied the applicable proficiency requirements ~~outlined~~ in Rule 2900, Part I.A(2); and

(4~~3~~) Have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.

(b) The remaining ~~directors~~Directors, if actively engaged in the business of the Dealer Member or a related company of the Dealer Member~~, or the remaining partners, shall~~ must have the qualifications described in paragraphs 7.3(a) (1) ~~or~~and (2) ~~and (3)~~.

7.4 ~~Officers~~Executives

(a) All of the officers of a Dealer Member ~~shall~~must:

(1) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,

(2) Be ~~partners, officers~~Executives or ~~directors~~Directors of related or affiliated securities dealers, or affiliated financial institutions~~ such as Canadian chartered banks, Quebec savings banks, trust or insurance companies licensed to do business in Canada or pension funds with aggregate net assets of not less than $5,000,000~~; and

(3) Have satisfied the applicable proficiency requirements outlined in Rule 2900, Part I.A(2);

(b) Not less than 60% of the ~~officers~~Executives of a Dealer Member ~~shall~~must have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.

~~(c) At least two officers shall be engaged in the business of the Dealer Member; one of whom shall be engaged full time, while the other may be engaged on a part time basis.~~

~~**7.5 Chief Financial Officer**~~

~~(a) Each Dealer Member shall appoint one officer as chief financial officer who, in addition to the requirements under 7.4(a), shall have the qualification required pursuant to Rule 2900, Part I.A(2A). The chief financial officer need not be engaged full time in the business of the Dealer Member.~~

~~(b) Notwithstanding subsection (a), if the chief financial officer of a Dealer Member terminates his/her employment with the Dealer Member and the Dealer Member is unable to immediately appoint another qualified person as chief financial officer, the Dealer Member may, with the Corporation's approval, appoint an officer as acting chief financial officer, provided that within 90 days of the termination:~~

~~(1) the acting chief financial officer meets the requirement of subsection (a) and is approved by the Corporation as chief financial officer; or~~

~~(2) another qualified person is appointed chief financial officer by the Dealer Member and approved by the Corporation.~~**~~7.6~~ Exemptions**

The applicable District Council may grant an exemption, in whole or in part, from any requirement under Rules 7.3 ~~to 7.5,~~and 7.4, where it is satisfied that to do so would not be prejudicial to the interest of the ~~member~~Dealer Member, its clients, the public or the Corporation and, in granting such an exemption, it may impose such terms and conditions as it considers necessary.

~~**7.7 Multiple Employments of Officers**~~

~~Where permitted by the securities legislation of the applicable jurisdiction, a person may be employed as a trading officer of a Dealer Member and affiliated or related Dealer Member or non-member registered dealers provided that:~~

~~(a) the reasons for such multiple employments are disclosed to the Corporation;~~

~~(b) the Dealer Members employing such a trading officer have filed with the Corporation their policies and procedures that will address any potential for conflicts of interest resulting from such multiple employments; and~~

~~(c) the clients of the Dealer Members whose accounts are personally handled by the trading officer are informed of the details of the multiple employments and the potential for conflict of interest.~~

~~7.8~~7.6 Persons Owning or Controlling a Significant Equity Interest in a Dealer Member

(a) Any ~~partner or director~~Director of a Dealer Member who directly or indirectly owns or controls ~~10% or more of the~~a voting ~~shares of a~~interest in the Dealer Member ~~shall~~of 10% or more must have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a);

(b) Any person other than a ~~partner or director~~Director, who is actively engaged in the business of a Dealer Member and directly or indirectly owns or controls ~~10% or more of the~~a voting ~~securities of~~interest in the Dealer Member~~, shall~~ of 10% or more must have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a).

~~7.9~~7.7 Remuneration of ~~Partners,~~ Directors and ~~Officers~~Executives

No ~~partner, director~~Director or ~~officer~~Executive of a Dealer Member shall accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, benefit or any other consideration from any person other than the Dealer Member, its affiliates or related companies, in respect of the activities carried out by the ~~partner, director or officer~~Director or Executive on behalf of the Dealer Member, its affiliates or related companies in connection with the ~~sale or placement of~~ securities ~~on behalf~~ -related activities of any of them.

~~7.10~~7.8 Jurisdiction~~.~~

Every person whose application for approval as a ~~partner, director~~Director or ~~officer~~Executive of a ~~member~~Dealer Member has been accepted ~~shall be~~is subject to the jurisdiction of the Corporation, ~~shall~~must comply with the Rules of the Corporation as they are from time to time amended or supplemented and, if such approval is subsequently revoked, ~~shall~~must forthwith terminate his or her relationship as a ~~partner, director or officer~~Director or Executive with the Dealer Member in respect of which he or she is approved at the time of such revocation.

~~7.11~~7.9 Late Filing Fees re ~~Partners, Officers~~Executive and Directors

A Dealer Member ~~shall be~~is liable for and must pay ~~to~~ the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member to file within ten business days after the end month a report in writing with respect to the conditions imposed on approval or continued approval of a ~~partner, director, officer~~Director or Executive of the Dealer Member pursuant to Rule 20.

RULE 18

REGISTERED REPRESENTATIVES AND INVESTMENT REPRESENTATIVES

~~18.1. For the purposes of Rule 18, the Toronto, Montreal and TSX Venture Exchanges are recognized stock exchanges~~

18.1. Repealed.

18.2. (a) No person may act and no Dealer Member ~~shall employ~~may permit any person to act as a registered representative or investment representative ~~in any province in Canada~~ on behalf of the Dealer Member unless:

~~(a) Such person~~

(i) The Dealer Member is registered or licensed to ~~sell securities~~trade, as the case may be, in securities or futures contracts under the ~~statute relating to the sale of securities in the province in which the person proposes to act as a registered representative or investment representative; and~~statutes relating to the sale of securities or futures contracts in all jurisdictions in which customers of the Dealer Member reside or is exempt from the registration or licensing requirements under those statutes;

(ii) The person is registered or licensed to trade, as the case may be, in securities or futures contracts under the statutes relating to the sale of securities or futures contracts in all jurisdictions in which customers of the person reside or is exempt from the registration or licensing requirements under those statutes; and

(iii) The Corporation has approved the person as a Registered Representative or Investment Representative under this Rule.

(b) ~~Approval as a registered representative or investment representative has been granted by the Corporation in accordance with the provisions of this Rule.~~A Dealer Member must notify the Corporation of the types of businesses which a Registered Representative or Investment Representative will conduct, as follows:

(i) **Customer Type:** the types of customers the Registered Representative or Investment Representative will deal with, either:

A. retail business – taking orders from or giving advice to all types of customers regarding trades in securities, or

B. institutional business – restricted to taking orders from or giving advice to institutional customers

(ii) **Product(s):** the types of financial instruments in which the Registered Representative or Investment Representative will deal, being:

A. restricted to mutual funds, Government or Government-guaranteed debt instruments and deposit instruments issued by a federally-regulated bank, trust company, credit union or caisse populaire, excluding those on which all or part of the interest or return is indexed to the performance of another financial instrument or index

B. general securities business, including equities, fixed income and other investment products other than options or futures

C. options business

D. futures contracts and futures contracts options

(iii) **Portfolio Management**: whether the Registered Representative will engage in discretionary portfolio management under the provisions of Rule 1300.

(c) A person may not conduct on behalf of a Dealer Member and a Dealer Member may not permit a person to conduct on its behalf a type of business described in (a) unless the Dealer Member has notified the Corporation:

(i) that the person will conduct the type of business; and

(ii) that the person has completed the proficiencies required to conduct the type of business as specified in Rule 2900, Part I within the proficiency time limits specified in Rule 2900, Part II.

For the purposes of this subsection (c), an application to the Corporation for initial Approval is notice that the person will conduct the types of business identified in the application.

18.3. ~~Approval as a registered representative or investment representative may be granted where the applicant has satisfied~~(a) An applicant for approval as a Registered Representative or Investment Representative must complete or obtain an exemption from the applicable proficiency requirements ~~outlined in Part I~~in Rule 2900, Part I, section A.3(a) before the Corporation will grant approval.

(b) A Dealer Member must take reasonable steps to ensure that all of its Registered Representatives and Investment Representatives are proficient and understand the products they trade in or advise on to a sufficient degree to meet the requirements of the Rules of the Corporation. At a minimum, the Dealer Member must ensure that all Registered Representatives and Investment Representatives meet the applicable proficiency requirements of Rule 2900.

18.4. ~~Failure~~The Approval of a Registered Representative is suspended automatically if the person fails to satisfy the requirement in paragraph A.3(~~c~~b) of Part I of Rule 2900 ~~will result in the automatic suspension of approval. Approval will be reinstated only at such time as the individual~~until the person has satisfied the ~~applicable course~~ requirement.

~~18.5. Upon approval as a registered representative, (other than a registered representative (non-retail)) or investment representative, a six-month period of supervision, as outlined in Rule 18.6, unless he or she has worked for at least two years in a registered capacity with a securities firm which is a Dealer Member of a self-regulatory organization or a recognized foreign self-regulatory organization.~~

18.5. Repealed.

18.6. ~~Upon approval as a registered representative or investment representative, commence and complete a six-month period of supervision defined to be~~(a) A Dealer Member must closely supervise a Registered Representative or Investment Representative who conducts retail business in accordance with the "Registered / Investment Representative Monthly Supervision Report" as specified by the ~~Board of Directors. A copy of this report must be maintained on file by the Dealer Member,~~Corporation for a period of six months after the Corporation is notified that the person will deal with retail customers. The Dealer Member must keep this report for inspection by the Corporation.

(b) Subsection (a) does not apply if:

(i) the Registered Representative was previously approved for six months or more to advise on trades for retail customers for a securities firm which is a member of a self-regulatory organization or a recognized foreign self-regulatory organization; or

(ii) the Investment Representative was previously approved for six months or more to advise on trades or to trade for retail customers for a securities firm which is a member of a self-regulatory organization or a recognized foreign self-regulatory organization.

~~18.7. Provided that it is not contrary to either the provisions of the appropriate securities or insurance legislation or any policy made pursuant thereto, the Corporation may grant approval of a person as a registered representative (mutual funds) or an investment representative (mutual funds) if, at the date of such application, the person~~

~~(a) Is employed by a Dealer Member solely for the purpose of soliciting orders for mutual fund securities or mutual fund securities and contracts of life insurance;~~

~~(b) Is registered under any applicable securities or insurance legislation of each jurisdiction in which he or she deals with the public to sell mutual fund securities or mutual fund securities and contracts of life insurance, as the case may be; and~~

18.7. (a) A Registered Representative or Investment Representative qualified to conduct mutual funds business only must:

(c) Has satisfied the applicable i) within 270 days of initial approval, complete the proficiency requirements outlined in Part I of Rule 2900; in Rule 2900, Part I, sections A.3(a)(i)(A) and (B); and

Provided that, in the course of employment with a Dealer Member firm, such person shall not accept orders for the purchase or sale of any securities other than mutual fund securities or contracts of life insurance and provided, further, that the Dealer Member establishes and maintains procedures approved by the Corporation to ensure compliance by such person with the Rules and Rulings.

18.8. Provided that it is not contrary to the provisions of the appropriate securities legislation or any policy made thereto, the Corporation may grant approval of a person as a registered representative (non-retail) if, at the date of such application, such person is employed by a Dealer Member for the purposes of engaging in the activities of a registered representative solely with or in respect of the accounts of non-retail clients or on account of the Dealer Member. For the purposes of this Rule "non-retail" clients shall be defined as:

- Acceptable Counterparties;

- Acceptable Institutions;

- Registrants under securities legislation or members of a recognized stock exchange;

- qualified Institutions registered in the United States which include:

(1) Institutions (e.g. pension funds, investment companies, financial institutions other than banks, partnerships and industrial companies, but not individuals), that own or have investment discretion over $100 million of securities.

(2) Banks and savings and loan associations that own or have investment discretion over $100 million in securities and have a net worth of at least $25 million;

- Foreign Broker Dealers that are members of the following self-regulatory organizations: any Canadian SRO, the International Stock Exchange in the UK and any Stock Exchange registered with the United States Securities and Exchange Commission.

18.9. Notwithstanding the provisions of Rule 18.3, the Corporation may grant approval of a person in the category of "Options Representative – Restricted" if, at the date of such application, such person is approved as a Registered Futures Contract Representative pursuant to Rule 1800 and;

(a) Takes or solicits orders only for trades in options for which the underlying interest is not an equity security; and

(b) Has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900.

(ii) within 18 months of initial approval, complete the training programme required under Rule 2900, Part I, section A.3(a)(i)(C).

(b) A Dealer Member must notify the Corporation:

(i) when a Registered Representative or Investment Representative restricted to mutual funds business only has completed the requirements in each of subsections (a)(i) and a(ii); and

(ii) within 18 months of initial approval, that the Registered Representative or Investment Representative will conduct either retail or institutional business without restriction to mutual funds.

(c) Subsections (a) and (b) do not apply to a Registered Representative or Investment Representative who was restricted to mutual funds only on the date on which this section becomes effective and who is registered only in Provinces in which a restriction on an Investment Representative or Registered Representative with a Dealer Member to mutual funds business only complies with the securities legislation, rules and policies of the Province.

18.8. Repealed.

18.9. Repealed.

18.10. Repealed.

18.11. ~~Every person whose application for approval as a registered representative or investment representative~~ (a) A Registered Representative or Investment Representative of a Dealer Member ~~has been accepted shall be~~is subject to the jurisdiction of the Corporation, ~~shall~~must comply with the Rules and Rulings of the Corporation as the same are from time to time amended or supplemented ~~and, if such approval is subsequently revoked, shall forthwith terminate his or her employment as a registered representative or investment representative with the Dealer Member with whom he or she is employed at the time of such revocation.~~ .

(b) If the approval of a Registered Representative or Investment Representative is revoked, the Registered Representative or Investment Representative must immediately cease acting as a Registered Representative or Investment Representative of his or her Dealer Member.

18.12. Repealed.

~~18.13. The Corporation shall give notice to all recognized stock exchanges in Canada and to all securities commissions in Canada of all approvals of registered representatives, investment representatives and of all revocations or terminations of approval of registered representatives and investment representatives.~~

18.13. Repealed.

18.14. A ~~registered representative or investment representative~~Registered Representative or Investment Representative may have, and continue in, another gainful occupation if:

(a)

(i) Either the ~~registered representative's or investment representative~~Registered Representative's or Investment Representative's other gainful occupation is in a remote area where there is no office of a broker or dealer in securities and the ~~designated registered representative's or investment representative~~Registered Representative's or Investment Representative's activities as such are limited to such remote area in which he or she resides; or

(ii) The securities commission in the jurisdiction in which the ~~registered representative or investment representative~~Registered Representative or Investment Representative acts or proposes to act as a ~~registered representative or investment representative~~Registered Representative or Investment Representative, or the securities legislation or policies administered by such securities commission, specifically permit him or her to devote less than his or her full time to the securities business of the Dealer Member employing him or her; and

~~(b) The Dealer Member employing such registered representative or investment representative acknowledges in writing to the Corporation its responsibility for the supervision of such registered representative or investment representative; and~~

(b) Repealed.

(c) The Dealer Member establishes and maintains procedures ~~approved by~~acceptable to the Corporation to ensure continuous service to clients and to address potential problems of conflict of interest; and

(d) Any other occupation of the ~~registered representative or investment representative must not be:~~Registered Representative or Investment Representative is not

(i) ~~Such as to~~One which would bring the securities industry into disrepute; or

(ii) With another Dealer Member of a recognized self-regulatory organization unless

(1) Such Dealer Member is a related company of the Dealer Member employing the registered representative or investment representative and the Dealer Member and related company provide cross-guarantees pursuant to Rule 6.6, and

(2) Such dual employment is not contrary to the provisions of the applicable securities legislation or any policy made pursuant thereto.

18.15. No ~~registered representative or investment representative in respect of a Dealer Member shall~~Registered Representative or Investment Representative may accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, benefit or any other consideration from any person other than the Dealer Member or its affiliates or ~~its~~ related companies, ~~in respect of~~for the securities-related activities ~~carried out by such registered representative or investment representative~~her or she conducts on behalf of the Dealer Member or its affiliates or its related companies ~~and in connection with the sale or placement of securities on behalf of any of them~~.

18.16. No Dealer Member shall permit a ~~registered representative or investment representative who has been approved in accordance with this Rule to use a designation other than "registered representative", "registered representative (mutual funds) or (non-retail)", "investment representative" or "investment representative (mutual funds) or (non-retail)", as the case may be,~~Registered Representative or Investment Representative to use a designation when dealing with the public that wrongly indicates that he or she conducts or has been approved by the Corporation to conduct a type of business or fulfils or has been approved by the Corporation to fulfil a role.

~~18.17. Nothing in Rule 18.16 shall preclude a registered representative or investment representative from using another designation contained in the Corporation's Rules, provided that he or she has been approved for such designation according to the appropriate Rules.~~

18.17. Repealed.

18.18. Each Dealer Member ~~shall be~~is liable for and must pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member to file within ten business days of the end of each month a report with respect to the conditions imposed under Rule 20 on the approval or continued approval of a ~~registered representative, restricted registered representative, investment representative or restricted investment representative~~Registered Representative, or Investment Representative of the Dealer Member pursuant to Rule 20.

20.18 Powers of District Council

(1) The District Council shall have the power, which it may delegate to a Sub-Committee of the District Council comprised of three industry members or to Corporation Staff, to:

(a) approve an application for approval as~~, or the transfer of~~ a:

~~(i) sales manager, branch manager, assistant or co-branch manager, pursuant to Rule 4,~~

(i) Supervisor under Rule 4,

(ii) ~~partner, director or officer, pursuant to~~Director or Executive under Rule 7,

~~(iii) registered representative or investment representative, pursuant to Rule 18,~~

~~(iv) trader, pursuant to Rule 500, or~~

~~(v) portfolio manager, futures contracts portfolio manager and associate portfolio manager pursuant to Rule 1300.~~

(iii) Registered Representative or Investment Representative, under Rule 18,

(iv) Ultimate Designated Person, Chief Financial Officer or Chief Compliance Officer under Rule 38, or

(v) trader under Rule 500.

(2) The District Council shall have the power, which it may delegate to a Sub-Committee of the District Council, pursuant to subsection (1), to:

(a) approve an application for approval ~~or transfer~~ referred to in Rule 20.18(1)(a) subject to such conditions as may be considered just and appropriate;

(b) refuse an application for approval~~ or transfer~~ referred to in Rule 20.18(1)(a), if in its opinion:

(i) the Applicant does not meet any requirements prescribed by the Rules or Rulings;

(ii) the Rules and Rulings of the Corporation will not be complied with by the Applicant;

(iii) the Applicant is not qualified for approval by reason of integrity, solvency, training or experience; or

(iv) such approval is otherwise not in the public interest.

(3) The District Council shall have the power, which it may delegate to a Sub-Committee of the District Council, pursuant to subsection (1), to impose such conditions on the continued approval of an Approved Person as the District Council considers appropriate and in the public interest.

20.19 Review Hearings

(1) Corporation Staff or the Applicant may request a review of ~~an approval~~a decision under Rule 20.18 by a Hearing Panel within ten business days after release of the decision.

(2) If a review is not requested within ten business days after release of the decision, the ~~approval~~ decision under Rule 20.18 becomes final.

(3) No member of a District Council who has participated in a decision ~~to refuse an application or impose conditions on an application, pursuant to Rule 20.18,~~under Rule 20.18 shall participate on the Hearing Panel.

(4) A review hearing held under this Part shall be held in accordance with the Corporation Practice and Procedure.

(5) The Hearing Panel may:

(a) affirm the decision;

(b) quash the decision;

(c) vary or remove any terms and conditions imposed on approval;

(d) limit the ability to re-apply for approval for such period of time as it determines just and appropriate; and

(e) make any decision that could have been made by the District Council pursuant to Rule 20.18.

(6) No appeal shall be available from the decision of the Hearing Panel.

RULE 29

BUSINESS CONDUCT

29.1. Dealer Members and each partner, director, officer, sales manager, branch manager, assistant or co-branch manager, registered representative, investment representative and employee of a Dealer Member (i) shall observe high standards of ethics and conduct in the transaction of their business, (ii) shall not engage in any business conduct or practice which is unbecoming or detrimental to the public interest, and (iii) shall be of such character and business repute and have such experience and training as is consistent with the standards described in clauses (i) and (ii) or as may be prescribed by the Board of Directors.

For the purposes of disciplinary proceedings pursuant to the Rules, each Dealer Member shall be responsible for all acts and omissions of each partner, director, officer, sales manager, branch manager, assistant or co-branch manager, registered representative, investment representative and employee of a Dealer Member; and each of the foregoing individuals shall comply with all Rules required to be complied with by the Dealer Member.

29.2. During the period of distribution to the public (as that term is defined in the relevant securities legislation) of any securities a Dealer Member shall not offer for sale or accept any offer to buy all or any part of the securities acquired by such Dealer Member through its participation in such distribution as an underwriter or as a member of a banking or selling group at a price or prices in excess of the stated initial public offering price of such securities.

29.3. During such period of distribution to the public a Dealer Member shall make a bona fide offering of the total amount of such participation to public investors. The term "public investors" does not include any officer or employee of a bank, insurance company, trust company, investment fund, pension fund or similar institutional body or the immediate families of any such officer or employee of any such institution regularly engaged in the purchase or sale of securities for such institution, unless such sales are demonstratively for bona fide personal investment in accordance with the person's normal investment practice. For the purposes of this Rule 29.3 the term "normal investment practice" shall mean the history of investment in an account with the Dealer Member and if such history discloses a practice of purchasing mainly "hot issues" such record would not constitute a "normal investment practice".

29.3A. A Dealer Member shall give priority to orders for the accounts of customers of the Dealer Member over all other orders for the same security at the same price. The phrase "orders for the accounts of customers of the Dealer Member" shall not include an order for an account in which the Dealer Member or an employee of the Dealer Member has an interest, direct or indirect, other than an interest in a commission charged.

29.4. The period of distribution to the public in respect of any securities shall continue until the Dealer Member shall have notified the applicable securities commission that it has ceased to engage in the distribution to the public of such securities.

29.5. Every director of a corporation any of whose securities are held by the public has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it. Except to the extent referred to in the third paragraph of this Rule 29.5, a director is not released from the necessity of keeping information of this character to himself or herself until there has been full public disclosure of such information, particularly when the information might affect the market price of the corporation's securities. Any director of such corporation who is also a ~~director, partner, officer, or employee~~Director, Executive or Employee of a Dealer Member should recognize that his or her first responsibility in this area is to the public corporation on whose board he or she serves and that he or she must, except to the extent referred to in the third paragraph of this Rule 29.5, meticulously avoid any disclosure of inside information to the ~~partners, directors, officers~~Directors, Executives, employees, customers, or research or trading departments of the Dealer Member.

Where a representative of a Dealer Member is not a director of a corporation but is acting in an underwriting or advisory capacity to such corporation and is discussing confidential matters, his or her responsibilities regarding disclosure are the same as those that would apply if such representative were a director of such corporation.

With reference to the two preceding paragraphs of this Rule 29.5, a ~~director~~Director or a representative, as the case may be, of a Dealer Member may consult with other personnel of the Dealer Member if a matter requires such consultation but in this event adequate measures should be taken to guard the confidential nature of the information to prevent its misuse within or outside the organization of the Dealer Member and the responsibilities of any such other personnel regarding disclosure are the same as those that would apply if such personnel were directors of the relevant corporation.

29.6. No Dealer Member or any ~~partner, director, officer,~~Director, Executive or employee or shareholder of a Dealer Member shall give, offer or agree to give or offer, directly or indirectly, to any partner, director, officer, employee, shareholder or

agent of a customer, or any associate of such persons, a gratuity, advantage, benefit or any other consideration in relation to any business of the customer with the Dealer Member, unless the prior written consent of the customer has first been obtained.

29.7. Definitions

For the purposes of this Rule 29.7;

“advertisement(s) or advertising” shall include television or radio commercials or commentaries, newspaper and magazine advertisements or commentaries, and any published material including materials disseminated or made available electronically promoting the business of a Dealer Member.

“sales literature” shall include any written or electronic communication other than advertisements and correspondence, distributed to or made generally available to a client or potential client which includes a recommendation with respect to a security or trading strategy. Sales literature includes but is not limited to records, videotapes and similar material, market letters, research reports, circulars, promotional seminar text, telemarketing scripts and reprints or excerpts of any other sales literature or published material, but does not include preliminary prospectuses and prospectuses.

"correspondence" means any written or electronic business related communication prepared for delivery to a single current or prospective client, and not for dissemination to multiple clients or to the general public.

"trading strategy" means a broad general approach to investments including matters such as the use of specific products, leverage, frequency of trading or a method of selecting particular investments but does not include specific trade or sectoral weighting recommendations.

29.7 (1) No Dealer Member shall issue to the public, participate in or knowingly allow its name to be used in respect of any advertisement, sales literature or correspondence, and no registered or approved persons shall issue or send any advertisement, sales literature or correspondence in connection with its or his or her business which:

(a) contains any untrue statement or omission of a material fact or is otherwise false or misleading;

(b) contains an unjustified promise of specific results;

(c) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions;

(d) contains any opinion or forecast of future events which is not clearly labeled as such;

(e) fails to fairly present the potential risks to the client;

(f) is detrimental to the interests of the public, the Corporation or its Dealer Members; or

(g) does not comply with any applicable legislation or the guidelines, policies or directives of any regulatory authority having jurisdiction.

29.7 (2) Each Dealer Member shall develop written policies and procedures that are appropriate for its size, structure, business and clients for the review and supervision of advertisements, sales literature and correspondence relating to its business. All such policies and procedures shall be approved by the Corporation.

29.7 (3) The policies and procedures referred to in subsection (2) may provide that such review and supervision will be done by pre-use approval, post use review or post use sampling, as appropriate to the type of material. However, the following types of advertisements, sales literature or correspondence must be approved prior to publication or use by a ~~partner, director, officer or branch manager of the Dealer Member who is~~one or more Supervisors specifically designated to approve ~~such materials~~each specified type of material:

(a) Research reports,

(b) Market letters,

(c) Telemarketing scripts,

(d) Promotional seminar texts (not including educational seminar texts),

(e) Original advertisements/original template advertisements; and

(f) Any material used to solicit clients that contain performance reports or summaries.

29.7 (4) Where such policies and procedures do not require the approval of advertisements, sales literature or correspondence prior to being issued, the Dealer Member must include provisions for the education and training of registered and approved persons as to the Dealer Member's policies and procedures governing such materials as well as follow-ups to ensure that such procedures are implemented and adhered to.

29.7(5) Copies of all advertisements, sales literature and correspondence and all records of supervision under the policies and procedures required by subsection (2) shall be retained so as to be readily available for inspection by the Corporation. All advertisements, sales literature and related documents must be retained for a period of 2 years from the date of creation and all correspondence and related documents must be retained for a period of 5 years from the date of creation.

29.7A.

(1) Ownership of Trade Name

Subject to subsection (7) all business carried on by a Dealer Member or by any person on its behalf shall be in the name of the Dealer Member or a business or trade or style name owned by the Dealer Member, an approved person in respect of the Dealer Member or an affiliated corporation of either of them.

(2) Approval of Trade Name

No approved person shall conduct any business in accordance with subsection (1) in a business or trade or style name that is not owned by the Dealer Member or its affiliated corporation unless the Dealer Member has given its prior written consent.

(3) Notification of Trade Name

Prior to the use of any business or trade or style name other than the Dealer Member's legal name, the Dealer Member shall notify the Corporation.

(4) Transfer of Trade Name

Prior to the transfer of a business or trade or style name to another Dealer Member, the Dealer Member shall notify the Corporation.

(5) Single Use of Trade Name

Except where Dealer Members are related or affiliated, no Dealer Member or approved person shall use any business or trade or style name that is used by any other Dealer Member unless the relationship with such other Dealer Member is that of an introducing broker/carrying broker arrangement, pursuant to Rule 35.

(6) Legal Name

The Dealer Member's full legal name shall be included in all contracts, account statements and confirmations.

(7) Trade Name of Approved Person to Accompany Legal Name

A business or trade or style name used by an approved person may accompany, but not replace, the full legal name of the Dealer Member on materials that are used to communicate with the public. The Dealer Member's legal name must be at least equal in size to the business or trade or style name used by the approved person.

For greater certainty, "materials" that are used to communicate with the public include, but are not limited to, the following:

(a) Letterhead;

(b) Business Cards;

(c) Invoices;

(d) Trade Confirmations;

(e) Monthly Statements;

(f) Websites;

(g) Research Reports; and

(h) Advertisements.

(8) Misleading Trade Name

No Dealer Member or approved person shall use any business or trade or style name that is deceptive, misleading or likely to deceive or mislead the public.

(9) Prohibition on Use of Trade Name

The Corporation may prohibit a Dealer Member or approved person from using any business or trade or style name in a manner that is contrary to the provisions of this Rule or is objectionable or contrary to the public interest.

29.8. No Dealer Member shall impose on any customer or deduct from the account of any customer any service fee or service charge relating to services provided by the Dealer Member for the administration of the customer's account unless written notice shall have been given to the customer on the opening of the account or not less than 60 days prior to the imposition or revision of the fee or charge. For the purposes of this Rule, service fees or charges shall not include interest charged by the Dealer Member in respect of the account and commissions charged for executing trades.

29.9. A Dealer Member which purchases debt securities taken in trade shall purchase the securities at a fair market price at the time of purchase.

A Dealer Member, in the course of a distribution of a fixed price offering of debt securities, shall ensure that any purchase of other debt securities taken in trade in relation to that offering is done at fair market price.

29.10. For the purpose of Rule 29.9, unless the subject matter or context otherwise requires, the expression:

"Taken in Trade" means the purchase by a Dealer Member as principal, or as agent, of a debt security from a customer pursuant to an agreement or understanding that the customer purchase other debt securities from or through the Dealer Member;

"Fair market Price" means a price not higher than the price at which the securities would be purchased from the customer or from a similarly situated customer in the ordinary course of business by a dealer in such securities in transactions of similar size and having similar characteristics but not involving a security taken in trade."

29.11. No Dealer Member shall pay or make any payment on account or in respect of any debt owing by such Dealer Member to any creditor of such Dealer Member contrary to the provisions of, or otherwise fail to comply with, any subordination or other agreement to which such Dealer Member and the Corporation are parties.

29.12. Mutual Fund Sales Incentives

(a) No Dealer Member or related company in respect of a Dealer Member, or partner, director, officer, registered representative or employee of such Dealer Member or related company, shall accept from any person, directly or indirectly, any non-cash sales incentive in connection with the sale or distribution of mutual fund products.

(b) No Dealer Member or related company in respect of a Dealer Member shall pay to any partner, director, officer, registered representative or employee of such Dealer Member or related company any non-cash sales incentive in connection with the sale or distribution of mutual fund products.

(c) Nothing in this Rule shall prohibit a Dealer Member or related company in respect of a Dealer Member or any partner, director, officer, registered representative or employee of such Dealer Member or related company from accepting or paying, as the case may be:

(i) Non-cash sales incentives earned or awarded for the internal incentive programme of such Dealer Member for which eligibility is determined with respect to all services and products offered by the Dealer Member;

(ii) Commissions or fees payable in cash and calculated with reference only to particular sales or volumes of sales of mutual fund securities;

(iii) Service fees or trailing commissions;

(iv) Marketing materials; or

(v) Reasonable business promotion activities that are undertaken in the normal course and take place in the locale where the recipient is employed or resides.

(d) For the purposes of this Rule 29.12, the term "non-cash sales incentive" shall include, without limitation, domestic or foreign trips, goods, services, gratuities, advantages, benefits or any other non-cash consideration.

29.13. Premarketing

(a) In this Rule 29.13 the expression:

"Bought Deal" means a transaction pursuant to an agreement under which an underwriter, as principal, agrees to purchase securities from an issuer or selling security-holder with a view to a distribution of such securities pursuant to the POP System (as defined in National Policy Statement No. 47) or comparable system in any Canadian province and such agreement is entered into prior to or contemporaneously with the filing of the preliminary short form prospectus;

"Commencement of Distribution" means the time when a Dealer Member has had distribution discussions which are of sufficient specificity that it is reasonable to expect that the Dealer Member (alone or with other underwriters) will propose an underwriting of equity securities to the issuer or selling security-holder;

"Distribution" means a potential offering of equity securities which may proceed as a bought deal;

"Distribution Discussions" means discussions by a Dealer Member with an issuer or a selling security-holder, or with another underwriter that has had discussions with an issuer or selling security-holder, concerning a distribution;

"Equity Security" means any security of an issuer that carries a residual right to participate in earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets and includes a security convertible into an equity security. A security shall be deemed to be convertible into an equity security if the rights attaching to the security include the right or option to purchase, convert or exchange or otherwise acquire any equity security of the issuer or any other security that itself includes the right or option to purchase, convert or exchange or otherwise acquire any equity security of the issuer.

(b) From the commencement of distribution until the earliest of

(i) The time at which the receipt for the preliminary prospectus in respect of the distribution is issued;

(ii) The time at which a press release that announces the entering into of an enforceable agreement in respect of the distribution is issued and filed in accordance with any blanket ruling or order, or notice made pursuant to an existing blanket ruling or order, of a securities regulatory authority of a province or territory of Canada and provided that all of the conditions set forth in such blanket ruling or order or such notice and its related blanket ruling or order are met; and

(iii) The time at which the Dealer Member determines not to pursue the distribution

no member shall have communications with a person or company wherever resident which are designed to have the effect of determining the interest of that person or company (or any person or company that it represents) in purchasing securities of the type that are the subject of distribution discussions if such communications are undertaken by any director, officer, employee or agent of the Dealer Member:

(A) Who participated in or had actual knowledge of the distribution discussions, or

(B) Whose communications were directed, suggested or induced by a person who participated in or had actual knowledge of the distribution discussions or another person acting directly or indirectly at or upon the direction, suggestion or inducement of a person referred to in (B).

A press release is deemed to have been issued when it is disseminated in accordance with the policies of applicable stock exchanges or, in the case of unlisted securities, when it is released to Canada News-Wire or any other national news distribution service for distribution and is deemed to have been filed when delivered or sent by facsimile to the relevant securities regulatory authority of a province or territory of Canada.

(c) No Dealer Member shall, in connection with a potential offering of equity securities, have communications of the nature described in Rule 29.13(b) even if such communications would otherwise be exempt from prospectus requirements of securities law, unless the Dealer Member and the issuer or selling security-holder can demonstrate a bona fide intention to distribute the securities pursuant to a prospectus exemption. The restrictions referred to in Rule 29.13(b) shall apply from the time it is reasonable to expect that a decision to abandon an exempt offering of equity securities in favour of a prospectus offering will be taken.

(d) No Dealer Member shall engage in market making or other principal trading activities in securities that are the subject of distribution discussions if such activities are engaged in by a person referred to in Rule 29.13(b)(A) or at or upon the direction, suggestion or inducement of a person referred to in Rule 29.13(b)(A) or (B).

(e) A Dealer Member involved in a distribution as an underwriter shall file a certificate with respect to compliance with this Rule 29.13 in respect of such distribution with the Corporation not later than three business days after the date the preliminary short form prospectus (or equivalent document) with respect to such distribution is filed with the principal jurisdiction (as defined in National Policy Statement No. 47). Such certificate shall be signed by the chief executive officer of the Dealer Member or the next most senior officer or by such other person as is fulfilling the duties of the chief executive officer in his or her absence and shall be in such form and contain such information as may from time to time be prescribed by the Corporation and approved by the Director of Corporate Finance of the Ontario Securities Commission or his or her equivalent of any member of the Canadian Securities Administrators who notifies the Corporation that approval of the form of such certificate is required.

CERTIFICATE

To: Investment Industry Regulatory Organization of Canada ("Corporation")

I (**name**), in my capacity as (**title**) of (**dealer name**) hereby certify on behalf of (**dealer name**), that (i) policies and procedures are in place designed to ensure compliance with Rule 29.13, and (ii) to the best of my knowledge, information and belief, after making, or having caused to be made, enquiries that I believe to be appropriate, in connection with the distribution of securities of (**issuer name**), the preliminary prospectus (or an equivalent document) for which was dated (**date**), from the commencement of distribution there have not been any communications by (**dealer name**) undertaken by any director, officer, employee or agent of (**dealer name**) with any person or company wherever resident about the interest that such person or company or any person or company that it represented had in purchasing securities of the type that were the subject of distribution discussions which would contravene Rule 29.13.

The terms "commencement of distribution" and "distribution discussions" used in this certificate have the meanings given to those terms in Rule 29.13.

Dated at (**city**) this day of 20 .

Signature

Name

Title

29.14.

(a) Definitions. For the purposes of these Rules 29.14 to 29.25, the term:

"Advertising" means any promotional material used in or on any newspaper, magazine, radio, video, television, telephone or cassette recording, motion picture, slide presentation or sign or billboard;

"Applicable Securities Laws" means:

(i) Ontario Securities Commission Rule 61-501 relating to Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transations; and

(ii) section 190 of the *Business Corporations Act* (Ontario);

"Corporation Standards" means the disclosure standards specified in Rules 29.14 through 29.24;

"CIPF" means Canadian Investor Protection Fund and "FCPE" means Fonds canadien de protection des épargnants;

"CIPF official explanatory statement" means the following statement:

"Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request."

Or such other statement as may be prescribed as such by CIPF from time to time for use by Members;

"CIPF official brochure" means any brochure or publication prescribed as such by CIPF for use by Members;

"CIPF official symbol" means the symbol, mark or other designation prescribed as such by CIPF for use by Dealer Members with the word "Dealer Member" appearing on top of the official symbol;

"Fairness Opinion" means a report of a Valuer that contains the Valuer's opinion as to the fairness, from a financial point of view, of a transaction;

"Formal Valuation" means a report of a Valuer that contains the Valuer's opinion as to the value or range of values of the subject matter of the valuation;

"Professional Opinion" means a Formal Valuation or a Fairness Opinion;

"Subject Trasaction" means an insider bid, issuer bid, going private transaction or related party transaction as each such term is defined in Applicable Securities Laws; and

"Valuer" means the person who provides a Professional Opinion.

The terms "disclosure document", "interested party" and "prior valuation" as used in these Rules 29.14 to 29.25 have the same respective meanings as in Applicable Securities Laws.

(b) Display at Premises. Each Dealer Member shall conspicuously display in a prominent place at each of its locations to which customers have access the CIPF official symbol. No Dealer Member shall be required to display the CIPF official symbol until 30 days after the first day of operation as a Dealer Member.

(c) Account Statements and Confirmations. Each Dealer Member shall include on the front of each confirmation and account statement sent to a customer the CIPF official symbol, and shall also include in legible print on either the front or the back (at the Dealer Member's option) of each confirmation and account statement sent to a customer the CIPF official explanatory statement in either English or French. No Dealer Member need comply with this paragraph (c) until its existing supplies of confirmation forms and account statements have been exhausted or until a date which is one year after the date this Rule comes into force, whichever is the earlier.

(d) CIPF Official Brochure. Each Dealer Member shall make available to its customers on request the current version of the CIPF official brochure in either English or French as requested.

(e) Advertising. Each Dealer Member shall include in any written, visual or audio advertising the words "Member CIPF" together with, at the option of the Dealer Member, a reproduction of the CIPF official symbol. Except as provided in this paragraph (e), no Dealer Member shall display any symbol relating to CIPF other than the CIPF official symbol or include any symbol, statement or explanation relating to CIPF or the Members' membership in CIPF in any advertising, promotional or other materials other than the CIPF official symbol or CIPF official explanatory statements.

(f) Members of CIPF. For the purposes only of complying with this Rule 29.14 and to the extent permitted by CIPF from time to time, Dealer Members shall identify themselves as members of CIPF.

(g) English/French Language. Subject to applicable laws, a Dealer Member may comply with the requirements of this Rule in either the English or French language.

(h) Termination of Membership. Upon the termination or suspension of its Membership, each Dealer Member shall immediately cease using the CIPF official explanatory statement, CIPF official brochure or CIPF official symbol, and shall cease identifying itself as a member of CIPF.

(i) Exemptions. A Dealer Member may be exempted from all or part of the requirements of paragraph (e) of this Rule 29.14 to the extent prescribed by CIPF from time to time.

29.15 No Dealer Member shall prepare a Professional Opinion in connection with a Subject Transaction unless it complies with Corporation Standards.

29.16 Corporation Standards apply only to Professional Opinions that are prepared either pursuant to a requirement of Applicable Securities Laws or for the express purpose of publication, in whole or in part (including summaries thereof), in a disclosure document to be filed with any Canadian securities regulatory authority or delivered to security holders in connection with their consideration of the Subject Transaction. For greater certainty, Corporation Standards do not apply to Professional Opinions (i) rendered in connection with transactions other than the Subject Transactions, whether or not they are reproduced or summarized in a disclosure document, or (ii) reproduced or summarized in a

disclosure document in response to a legal or regulatory requirement for the disclosure of prior valuations in respect of an issuer.

29.17 The requirements relating to the preparation and disclosure of Professional Opinions prescribed herein shall not be a substitute for the professional judgment and responsibility of the Valuer. Compliance with the Corporation Standards, without the Valuer also exercising professional judgment and responsibility regarding disclosure in a Professional Opinion, shall not be considered compliance with Corporation Standards. Professional judgment and responsibility may, in appropriate cases, justify a departure from the strict application of the requirements under the Corporation Standards.

29.18 Professional Opinions prepared in connection with the Subject Transactions shall contain disclosure sufficient to enable the directors and security holders of the particular issuer to understand the principal judgments and principal underlying reasoning of the Valuer in its Professional Opinion so as to form a reasoned view on the valuation conclusion or the opinion as to fairness expressed therein.

29.19 A Valuer shall consider the level of disclosure described in Rules 29.20 through 29.24 when considering the appropriate level of disclosure in a Professional Opinion concerning valuation methodologies or matters not specifically addressed in such Rules but that are important in reaching a valuation or fairness conclusion.

29.20 A Professional Opinion that is a Formal Valuation prepared by a Dealer Member shall disclose the following information:

1. The identity and credentials of the Dealer Member, including the general experience of the Dealer Member in valuing other businesses in the same or similar industries as the business or issuer in question or similar transactions to the Subject Transaction, the Dealer Member's understanding of the specific marketable securities involved in the Subject Transaction and the internal procedures followed by the Dealer Member to ensure the quality of the Professional Opinion;

2. The date the Valuer was first contacted in respect of the Subject Transaction and the date that the Valuer was retained;

3. The financial terms of the Valuer's retainer;

4. A description of any past, present or anticipated relationship between the Valuer and any interested party or the issuer which may be relevant to the Valuer's independence for purposes of the Applicable Securities Laws;

5. The subject matter of the Formal Valuation;

6. The effective date of the Formal Valuation;

7. A description of any specific adjustments that have been made in the Valuer's conclusions by reason of an event or occurrence after the effective date;

8. The scope and purpose of the Formal Valuation, including the following statement:

   "This Formal Valuation has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada but the Corporation has not been involved in the preparation or review of this valuation.";

9. A description of the scope of the review conducted by the Valuer, including a summary of the type of information reviewed and relied upon (such as the documents reviewed, individuals interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the Valuer);

10. A description of any limitation on the scope of review and the implications of such limitation on the Valuer's conclusions;

11. A description of the business, assets or securities being valued sufficient to allow the reader to understand the valuation rationale and approach and the various factors influencing value that were considered;

12. Definitions of the terms of value used in the Formal Valuation (such as "fair market value", "market value" and "cash equivalent value");

13. The valuation approach and methodologies considered, including the rationale for valuing the business as a going concern or on a liquidation basis and the reasons for selecting a particular valuation methodology and a summary of the key factors considered in selecting the valuation approach and methodologies considered;

14. The key assumptions made by the Valuer;

15. Any distinctive material value that the Valuer has determined might accrue to an interested party, whether this value is included in the value or range of values arrived at for the subject matter of the Formal Valuation and the reasons for its inclusion or exclusion;

16. A discussion of any prior *bona fide* offers or prior valuations or other material expert reports considered by the Valuer pertaining to the subject matter of the transaction and, where the Formal Valuation differs materially from any such prior valuation, an explanation of the material differences where reasonably practicable to do so based on the information contained in the prior valuation or, if it is not reasonably practicable to do so, the reasons why it is not reasonably practicable to do so; and

17. The valuation conclusions reached and any qualifications or limitations to which such conclusions are subject.

29.21 A Professional Opinion that is a Fairness Opinion prepared by a Dealer Member shall disclose the following information:

1. The identity and credentials of the Dealer Member, including the general experience of the Dealer Member in providing Fairness Opinions in connection with transactions similar to the Subject Transaction, the Dealer Member's understanding of the specific marketable securities involved in the Subject Transaction and the internal procedures followed by the Dealer Member to ensure the quality of the Professional Opinion;

2. The date the Dealer Member was first contacted in respect of the Subject Transaction and the date that the firm was retained;

3. The financial terms of the Dealer Member's retainer;

4. A description of any past, present or anticipated relationship between the Dealer Member and any interested party which may be relevant to the Dealer Member's independence for purposes of providing the Fairness Opinion;

5. The scope and purpose of the Fairness Opinion, including the following statement:

   "This fairness opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada but the Corporation has not been involved in the preparation or review of this fairness opinion.";

6. The effective date of the Fairness Opinion;

7. A description of the scope of the review conducted by the Dealer Member, including a summary of the type of information reviewed and relied upon (such as the documents reviewed, individuals interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the Dealer Member);

8. A description of any limitation on the scope of review and the implications of such limitation on the Dealer Member's opinion or conclusion;

9. A description of the relevant business, assets or securities sufficient to allow the reader to understand the rationale of the Fairness Opinion and the approach and various factors influencing financial fairness that were considered;

10. A description of the valuation or appraisal work performed or relied upon in support of the Dealer Member's opinion or conclusion;

11. A discussion of any prior *bona fide* offer or prior valuation or other material expert report considered by the Dealer Member in coming to the opinion or conclusion contained in the Fairness Opinion;

12. The key assumptions made by the Dealer Member;

13. The factors the Dealer Member considered important in performing its fairness analysis;

14. The statement of opinion or conclusion as to the fairness, from a financial point of view, of the Subject Transaction and the supporting reasons; and

15. Any qualifications or limitations to which the opinion or conclusion is subject.

29.22 If concern is expressed to a Dealer Member regarding the proposed disclosure in a Professional Opinion of competitively or commercially sensitive information regarding an interested party or issuer, the Dealer Member may seek a decision of the special committee of the issuer's independent directors (the "special committee") as to whether the perceived detriment to an interested party, the issuer or its security holders of the disclosure of such information in the Professional Opinion outweighs the benefit of disclosure of such information to the readers of the Professional Opinion. Compliance with any such decision of a special committee shall also constitute compliance with the Corporation Standards in respect of the matters that are the subject of the decision.

29.23 A Professional Opinion that is a Formal Valuation prepared by a Dealer Member in connection with a Subject Transaction shall disclose the following:

1. Annual Financial Information. Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a disclosure document published in connection with the transaction to which the Professional Opinion applies, the Professional Opinion shall disclose a summary of selected material financial information derived from the most recent year-end balance sheet and income statement and statement of changes in financial position for the most recently completed fiscal year as well as from the balance sheet, income statement and statement of changes in financial position for the immediately preceding fiscal year.

2. Interim Financial Information. Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a disclosure document published in connection with the transaction to which the Professional Opinion applies, the Professional Opinion shall disclose a summary of selected material financial information derived from the most recent interim balance sheet (if any), income statement and statement of changes in financial position for the current fiscal year and the comparable statements for the same interim period of the immediately preceding fiscal year.

3. Discussion of Historical Financial Statements or Financial Position. The Professional Opinion shall include comment on material items or changes in the issuer's financial statements together with appropriate commentary on items which may have particular relevance to the Professional Opinion. Examples of such items include unusual capital structures, unrecognized tax-loss carryforwards and redundant assets.

4. Future-Oriented Financial Information. To the extent that the Valuer has relied upon future-oriented financial information ("FOFI"), the Valuer shall disclose the FOFI, at least in summary form, unless otherwise determined by a decision of the special committee referred to in Rule 29.22. To the extent that the FOFI relied upon by the Valuer varies materially from the FOFI provided to the Valuer by the issuer or the interested party, the Valuer shall disclose the nature and extent of such differences and the rationale of the Valuer supporting its judgments.

5. FOFI Assumptions. To the extent that FOFI is relied upon (whether or not the FOFI itself is disclosed), key financial assumptions (such as sales, growth rates, operating profit margins, major expense items, interest rates, tax rates, depreciation rates, etc.), together with a brief statement supporting the rationale for each specific assumption, shall also be disclosed, unless otherwise determined by a decision of the special committee referred to in Rule 29.22.

6. Economic Assumptions. Any key economic assumptions having a material impact on the Professional Opinion shall be disclosed, noting the authoritative source used by the Valuer, including interest rates, exchange rates and general economic prospects in the relevant markets.

7. Valuation Approach, Methodologies and Analysis. The Professional Opinion shall set out the valuation approach and methodologies adopted by the Valuer, together with the principal judgments made in selecting a particular approach or methodology, a comparison of valuation calculations and conclusions arrived at through the different methods considered and the relative importance of each methodology in arriving at the overall valuation conclusion. Depending upon the valuation techniques used by the Valuer, the specific information referred to in items 8 through 12 below shall be disclosed.

8. Discounted Cash Flow Approach. The Professional Opinion shall include a discussion of all relevant qualitative and quantitative judgments used to calculate discount rates, multiples and capitalization rates. If

the Capital Asset Pricing Model is used, disclosure shall include the basis for determining the discount rate including the risk-free rate, market risk premium, beta, tax rates and debt-to-equity capital structure assumed. The Valuer shall also disclose the basis for the determination of the terminal/residual value together with the underlying assumptions made. The source of the financial data which formed the basis of the discounted cash flow analysis, summary of major assumptions (if not already disclosed) and the details and sources of any economic statistics, commodity prices and market forecasts used in the valuation approach shall also be disclosed. In addition, a summary of the sensitivity variables considered and the general results of the application of such sensitivity analysis shall be disclosed along with an explanation of how such sensitivity analysis was used in the determination of the range of valuation estimates resulting from the discounted cash flow approach. Where the nature of the FOFI and the subject matter of the valuation make it reasonably practicable and meaningful to do so, selected quantitative sensitivity analyses performed by the Valuer shall be disclosed to illustrate the effects of variations in the key assumptions on the valuation results. In determining whether quantitative sensitivity analyses would be meaningful to the reader of the Professional Opinion, the Valuer shall consider whether such analyses adequately reflects the Valuer's judgment concerning the inter-relationship of the key underlying assumptions.

9. Asset Based Valuation Approach. The Professional Opinion shall separately disclose the values of each significant asset and liability including off-balance sheet items (unless otherwise determined by a decision of the special committee referred to in Rule 29.22). If a liquidation-based valuation approach has been utilized, the Professional Opinion shall set out the liquidation values for each significant asset and liability together with summary estimates for significant liquidation costs.

10. Comparable Transaction Approach. The Professional Opinion shall disclose (preferably in tabular form) a list of relevant transactions involving businesses the Valuer considers similar or comparable to the business being valued. Adequate disclosure shall include the date of the transaction, a brief descriptive note, and relevant multiples implicit in the transaction which may include earnings before interest and taxes ("EBIT"), earnings before interest, taxes depreciation and amortization ("EBITDA"), earnings, cash flow and book value multiples and take-over premium percentages. In the body of the Professional Opinion there shall be a discussion of such transactions together with an explanation as to how such transactions were used by the Valuer in arriving at a valuation conclusion with regard to the comparable transaction approach.

11. Comparable Trading Approach. The Professional Opinion shall disclose (preferably in tabular form) a list of relevant publicly traded companies the Valuer considers similar or comparable to the business being valued. Adequate disclosure shall include the date of the market data, the relevant fiscal periods for the comparable company, a brief descriptive note regarding the comparable company and relevant multiples implicit in the trading data which may include EBIT, EBITDA, earnings, cash flow and book value multiples. In the body of the Professional Opinion there shall be a discussion as to the comparability of such companies, together with an explanation as to how such data was used by the Valuer in arriving at a valuation conclusion with regard to the comparable trading approach.

12. Valuation Conclusions. The Valuer shall develop a final valuation range by using a single valuation methodology or some combination of value conclusions determined under different methodologies/approaches. The Professional Opinion shall include a comparison of the valuation ranges developed under each methodology and a discussion of the reasoning in support of the Valuer's final conclusion.

29.24 A Professional Opinion that is a Fairness Opinion prepared by a Dealer Member in connection with a Subject Transaction shall include the following:

1. Fairness Opinion Valuation Analyses. While it is generally acknowledged that both the scope and the objectives of a Fairness Opinion differ from those of a Formal Valuation (whether or not the Fairness Opinion is delivered in a transaction where a Formal Valuation exemption is being relied upon), a Fairness Opinion shall include a general description of any valuation analysis performed by the opinion provider or specific disclosure of a valuation opinion of another Valuer which is being relied upon. However, the opinion provider is not required to reach or disclose specific conclusions as to a valuation range or ranges in a Fairness Opinion.

2. Fairness Conclusions. The specific reasons for the conclusion that the Subject Transaction is fair or not fair to security holders, from a financial point of view, shall be set out in the conclusion section of the Professional Opinion. Support for each of these specific reasons shall be contained in the body of the Professional Opinion in sufficient detail to allow the reader of the opinion to understand the principal judgments and principal underlying reasoning of the opinion provider in reaching its opinion as to the fairness of the transaction.

29.25 Repealed.

29.26

(1)

(a) Each Dealer Member, partner, director, officer or registered or approved person of a Dealer Member shall provide to each client a Leverage Risk Disclosure Statement:

i) at the time a new account is opened,

ii) when a recommendation is made to a client to purchase securities using, in whole or in part, borrowed money, or

iii) when the Dealer Member, partner, director, officer, registered or approved person of the Dealer Member becomes aware of a client's intent to purchase securities using, in whole or in part, borrowed money.

(b) No Dealer Member or partner, director, officer, registered or approved person of a Dealer Member is required to comply with subsection (a)(ii)or (iii) if within the preceding six month period a Leverage Risk Disclosure Statement has been provided to the client.

(c) The Leverage Risk Disclosure Statement shall be in substantially the following words:

Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

(2) Section 29.26(1) does not apply to the purchase of securities by a client on margin if the client's margin account is operated in accordance with the Rules of the Corporation.

29.27 Repealed.

~~(a) Each Dealer Members shall establish and maintain a system to supervise the activities of each partner, director, officer, registered representative, employee and agent of the Dealer Member that is reasonably designed to achieve compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business. Such a supervisory system shall provide, at a minimum, the following:~~

~~(i) The establishment, maintenance and enforcement of written policies and procedures acceptable to the Corporation regarding the conduct of the types of business in which it engages and the supervision of each partner, director, officer, registered representative, employee and agent of the Dealer Member that are reasonably designed to achieve compliance with the applicable laws, rules, regulations and policies;~~

~~(ii) Procedures reasonably designed to ensure that each partner, director, officer, registered representative, employee and agent of the Dealer Member understands his or her responsibilities under the written policies and procedures in (i);~~

~~(iii) Procedures to ensure that the written policies and procedures of the Dealer Member are amended as appropriate within a reasonable time after changes in applicable laws, regulations, rules and policies and that such changes are communicated to all relevant personnel;~~

~~(iv) Sufficient personnel and other resources to fully and properly enforce the written policies and procedures in (i);~~

~~(v) The designation of supervisory personnel with the qualifications and authority to carry out the supervisory responsibilities assigned to them. Each Dealer Member shall maintain an internal record of the names of all persons who are designated as having supervisory responsibility and the dates for which such designation is or was in effect. Such record shall be preserved by the Dealer Member for seven years, and on-site for the first year;~~

~~(vi) Procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions. Where the supervision is conducted and supervisory records are~~

maintained at a branch office, the follow up and review procedures shall include periodic on-site reviews of branch office supervision and record keeping as necessary depending on the types of business and supervision conducted at the branch office.

(vii) The maintenance of adequate records of supervisory activity, including on-site reviews of branch offices as described in (vi), compliance issues identified and the resolution of those issues.

(b) Each partner, director, officer, registered representative or agent of a Dealer Member who has supervisory authority over any partner, director, officer, registered representative or agent of a Dealer Member shall fully and properly supervise such partner, director, officer, registered representative or agent in accordance with the written policies and procedures of the Dealer Member so as to ensure their compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business.

(c) A partner, director, officer, registered representative or agent of a Dealer Member may delegate specific supervisory functions or procedures, provided that:

(i) the delegation of such functions in not contrary to applicable laws, regulations, rules or policies;

(ii) the person to whom such functions are delegated is qualified by virtue of registration, training or experience to properly execute them;

(iii) the supervisor conducts sufficient follow up and review to ensure that the person to whom the functions have been delegated is properly executing them.

RULE 38

~~RESPONSIBILITIES OF THE CHIEF~~ COMPLIANCE ~~OFFICER~~ AND SUPERVISION

~~ULTIMATE DESIGNATED PERSON~~

38.1 ~~Every Dealer Member shall designate~~a Dealer Member must establish and maintain a system to supervise the activities of each partner, director, officer, registered representative, employee and agent of the Dealer Member that is reasonably designed to achieve compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business. Such a supervisory system shall provide, at a minimum, the following:

(i) The establishment, maintenance and enforcement of written policies and procedures acceptable to the Corporation regarding the conduct of the types of business in which it engages and the supervision of each partner, director, officer, registered representative, employee and agent of the Dealer Member that are reasonably designed to achieve compliance with the applicable laws, rules, regulations and policies;

(ii) Procedures reasonably designed to ensure that each partner, director, officer, registered representative, employee and agent of the Dealer Member understands his or her responsibilities under the written policies and procedures in (i);

(iii) Procedures to ensure that the written policies and procedures of the Dealer Member are amended as appropriate within a reasonable time after changes in applicable laws, regulations, rules and policies and that such changes are communicated to all relevant personnel;

(iv) Sufficient personnel and other resources to fully and properly enforce the written policies and procedures in (i);

(v) The designation of Supervisors with the qualifications and authority to carry out the supervisory responsibilities assigned to them. Each Dealer Member shall maintain an internal record of the names of all Supervisors, the scope of their responsibility and the dates for which such responsibility and authority is or was in effect. The records must be preserved by the Dealer Member for seven years, and on-site for the first year;

(vi) Procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions. Where the supervision is conducted and supervisory records are maintained at a branch office, the follow-up and review procedures shall include periodic on-site reviews of branch office supervision and record-keeping as necessary depending on the types of business and supervision conducted at the branch office;

(vii) The maintenance of adequate records of supervisory activity, including on-site reviews of branch offices as described in (vi), compliance issues identified and the resolution of those issues.

38.2 (a) A Dealer Member must appoint as many Supervisors as are necessary to properly supervise the officers, partners, employees and agents of the Dealer Member, taking into account the scope and complexity of its businesses to ensure that the businesses of the Dealer Member are carried out in compliance with the Rules and Rulings of the Corporation and any other laws or regulations governing the Dealer Member's business conduct.

(b) A Dealer Member must take reasonable steps to ensure that all of its Supervisors are proficient and understand the products that persons under their supervision trade in or advise on and the services that persons under their supervision provide to a sufficient degree to properly supervise those persons. At a minimum, the Dealer Member must ensure that all Supervisors meet the applicable proficiency requirements of Rule 2900.

38.3 No person may act and no Dealer Member may permit a person to act as a Supervisor without the approval of the Corporation.

38.4 (a) A Supervisor must fully and properly supervise each partner, director, officer, registered representative or agent in accordance with the supervisory responsibilities assigned to the Supervisor, the Rules of the Corporation and the written policies and procedures of the Dealer Member so as to ensure their compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business.

(b) A Supervisor may delegate specific supervisory functions or procedures, provided that:

(i) the delegation of such functions in not contrary to applicable laws, regulations, rules or policies;

(ii) the person to whom such functions are delegated is qualified by virtue of registration, training or experience to properly execute them;

(iii) the Supervisor conducts sufficient follow-up and review to ensure that the person to whom the functions have been delegated is properly executing them; and

(iv) the Dealer Member records the terms of the delegation and the follow up and review.

38.5 **Ultimate Designated Person**

(a) A Dealer Member must, subject to the Approval of the Corporation, its Chief Executive Officer~~, its President, its Chief Operating Officer or its Chief Financial Officer (or such other officer designated with the equivalent supervisory and decision-making responsibility)~~ or another Executive with the equivalent responsibility to act as the Ultimate Designated Person ~~(the "UDP"),~~ who shall be responsible to the ~~applicable self-regulatory organization~~Corporation for the conduct of the firm and the supervision of its employees.

~~38.2~~(b) Where a Dealer Member is organized into two or more separate business units or divisions, ~~a~~the Dealer Member may designate ~~a UDP~~an Ultimate Designated Person for each separate business unit or division.

~~38.3 Every Dealer Member shall appoint an Alternate Designated Person (an "ADP"), who shall be so approved, to act as Chief Compliance Officer (the "CCO").~~

~~38.4 Notwithstanding section 38.3, a Dealer Member may appoint the UDP to act as the CCO.~~

~~38.5 Where a Dealer Member is organized into two or more separate business units or divisions, a Dealer Member may designate a CCO for each separate business unit or division.~~

~~38.6 The Chief Compliance Officer shall have the qualification required pursuant to Rule 2900, Part IA, Section 2B~~

(c) The Ultimate Designated Person must ensure that policies and procedures are developed and implemented which adequately reflect the regulatory requirements of the Dealer Member.

38.6 **Chief Financial Officer**

(a) Each Dealer Member must, subject to the Approval of the Corporation, appoint one Executive as Chief Financial Officer who, in addition to the requirements under Rule 7.4(a), must have met the proficiency requirements of Rule 2900, Part I, section A.2A. The Chief Financial Officer need not be engaged full time in the business of the Dealer Member.

~~38.7 Notwithstanding Rule 38.6, a~~ (b) Notwithstanding subsection (a), if the Chief Financial Officer of a Dealer Member terminates his/her employment with the Dealer Member and the Dealer Member is unable to immediately appoint another qualified person as Chief Financial Officer, the Dealer Member may, with the Corporation's approval, appoint an Executive as Acting Chief Financial Officer, provided that within 90 days of the termination:

(1) the Acting Chief Financial Officer meets the requirement of subsection (a) and is approved by the Corporation as Chief Financial Officer; or

(2) another qualified person is appointed Chief Financial Officer by the Dealer Member and approved by the Corporation.

(c) The Chief Financial Officer must monitor adherence to the Dealer Member's policies and procedures as necessary to provide reasonable assurance that the Dealer Member complies with the financial rules of the Corporation.

38.7 **Chief Compliance Officer**

(a) Every Dealer Member must, subject to the Approval of the Corporation, appoint an Executive to act as Chief Compliance Officer.

(b) A Dealer Member may appoint the Ultimate Designated Person to act as the Chief Compliance Officer.

(c) Where a Dealer Member is organized into two or more separate business units or divisions, a Dealer Member may, with the Approval of the Corporation, designate a Chief Compliance Officer for each separate business unit or division.

(d) The Chief Compliance Officer must have the qualification required under Rule 2900, Part I, section A. 2B.

(e) Notwithstanding subsection (a), a Dealer Member may, with the Corporation's approval, appoint an officer as Acting Chief Compliance Officer~~,~~ if the Chief Compliance Officer ~~suddenly~~ terminates his or her employment with the Dealer Member and the Dealer Member is unable to immediately appoint another qualified person as ~~chief compliance officer~~Chief Compliance Officer provided that, within 90 days of the termination of the previous Chief Compliance Officer:

(i) the ~~acting chief compliance officer successfully completes the~~Acting Chief Compliance ~~Officers Qualifying Examination~~Officer meets the requirement of subsection (d) and is approved by the Corporation as Chief Compliance Officer; or

(ii) another qualified person is appointed Chief Compliance Officer by the Dealer Member and is approved by the Corporation.

~~38.8~~(f) The Corporation may grant to a Dealer Member an exemption from ~~Rule 38.6~~subsection (d) where it is satisfied that the nature of the Dealer Member's business is such that the qualification is not relevant to the Dealer Member and that to do so would not be prejudicial to the interests of the Dealer Member, its clients, the public or the Corporation. In granting such an exemption, it may impose such terms and conditions as it considers necessary.

~~38.9 Every Dealer Member shall also appoint as many additional ADPs as are necessary, given the scope and complexity of its businesses, who shall be partners, directors or officers of the Dealer Member.~~

~~38.10 The ADPs referred to in Rule 38.6 shall report to the UDP as necessary to ensure that the businesses of the Dealer Member are carried out in compliance with applicable self-regulatory by-laws, regulations, policies and forms.~~

(g) The Chief Compliance Officer must monitor adherence to the Dealer Member's policies and procedures as necessary to provide reasonable assurance that in conducting its securities-related activities the Dealer Member meets the non-financial requirements to which the Dealer Member is subject.

~~38.11~~(h) The ~~CCO shall~~Chief Compliance Officer must report to the ~~board of directors~~Board of Directors (or equivalent) of the Dealer Member as necessary but at least annually on the status of compliance at the Dealer Member.~~38.12 The~~ The Chief Compliance Officer must have access to the Ultimate Designated Person and the board of directors (or equivalent) ~~shall~~at other times to raise significant issues requiring their attention.

38.8 The Board of Directors (or equivalent) of the Dealer Member must review the report of the ~~CCO~~Chief Compliance Officer and determine what actions are necessary ~~and ensure such actions are carried out in order to address~~to rectify any compliance deficiencies noted in the report~~.~~ and ensure such actions are carried out. The Board of Directors (or equivalent) must maintain records of the actions it determines to be necessary and the monitoring to ensure that those actions are carried out.

~~38.13 The UDP shall ensure that policies and procedures are developed and implemented which adequately reflect the regulatory requirements of the Dealer Member.~~

~~38.14 The CCO shall monitor adherence to the Dealer Member's policies and procedures as necessary to ensure that the management of the compliance function is effective and to provide reasonable assurance that standards of the applicable self-regulatory organization are met.~~

~~38.15 Every~~38.9 A Dealer Member ~~shall~~must file with the ~~applicable self-regulatory organization~~Corporation:

(a) A copy of a governance document setting out the organizational structure and reporting relationships, which support the compliance arrangement set out above; and

(b) Notice of any material changes to the organizational structure and reporting relationships as set out in ~~paragraph~~subsection (a).

RULE 40

INDIVIDUAL APPROVALS, NOTIFICATIONS AND FEES AND

THE NATIONAL REGISTRATION DATABASE

40.1 Definitions

For the purposes of this Rule 40,

(1) "authorized firm representative" or "AFR" means, for a Dealer Member, an individual with his or her own NRD user ID and who is authorized by the Dealer Member to submit information in NRD format for that Dealer Member and individual applicants with respect to whom the Dealer Member is the sponsoring Dealer Member.

(2) "chief AFR" means, for a Dealer Member filer, an individual who is an AFR and has accepted an appointment as a chief AFR by the Dealer Member.

(3) Form 33-109F1 means the form for the submission through NRD of a Notice of Termination of an individual mandated by NRD Multilateral Instrument 33-109.

(4) Form 33-109F2 means the form for the submission through NRD of an application for change or surrender of categories of registration mandated by NRD Multilateral Instrument 33-109.

(5) Form 33-109F3 means the form for the submission through NRD of information regarding business locations of registered dealers mandated by NRD Multilateral Instrument 33-109.

(6) Form 33-109F4 means the form for submission through NRD of applications for individual registration and information on non-registered individuals mandated by NRD Multilateral Instrument 33-109.

(7) Form 33-109F5 means the paper form of a notification of a change in information regarding an individual registrant or Dealer Member mandated by NRD Multilateral Instrument 33-109.

(8) "National Registration Database" or "NRD" means the online electronic database of registration and approval information regarding Dealer Members, their registered or approved partners, officers, directors, employees or agents and other firms and individuals registered under securities legislation in Canada, and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means.

(9) "NRD account" means 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.

(10) "NRD access date" means the date a Dealer Member receives notice that it has access to NRD to make NRD submissions.

(11) "NRD Administrator" means CDS INC. or a successor appointed by the Canadian securities regulatory authorities and the Corporation to operate NRD.

(12) "NRD format" means the electronic format for submitting information through the NRD website.

(13) "NRD Multilateral Instrument 31-102" means Multilateral Instrument 31-102 National Registration Database adopted by the Canadian securities regulatory authorities.

(14) "NRD Multilateral Instrument 33-109" means Multilateral Instrument 33-109 Registration Information adopted by the Canadian securities regulatory authorities.

(15) "NRD submission" means information that is submitted under this Rule 40 in NRD format, or the act of submitting information under this Rule 40 in NRD format, as the context requires.

(16) "NRD website" means the website operated by the NRD Administrator for the NRD submissions.

~~(17) "transition Dealer Member" means a Dealer Member that~~

~~(a) was a Dealer Member on February 3, 2003, or~~

~~(b) was not a Dealer Member on February 3, 2003 and applied for Membership before March 31, 2003.~~

~~(18) "Quebec transition Dealer Member" means a Dealer Member registered in the Province of Quebec as of January 1, 2005.~~

40.2 Obligations of Dealer Members regarding the National Registration Database

(1) Each Dealer Member shall

(a) enrol in NRD and pay to the NRD Administrator an enrolment fee calculated as prescribed by the Board of Directors;

(b) have one and no more than one chief AFR enrolled with the NRD Administrator;

(c) maintain one and no more than one NRD account;

(d) notify the NRD Administrator of the appointment of a chief AFR within 5 business days of the appointment;

(e) notify the NRD Administrator of any change in the name of the firm's chief AFR within 5 business days of the change; and

(f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 5 business days of the change.

40.3 Approvals and Notifications

(1) Each Dealer Member making an application for approval of an individual in any capacity required under any Rule of the Corporation shall make such application to the Corporation through the NRD on Form 33-109F4.

(2) Each Dealer Member shall notify the Corporation of the appointment of an Ultimate Designated Person pursuant to Rule ~~38.1,~~38.5(a), a Chief Compliance Officer pursuant to Rule ~~38.3~~38.7(a) or a Chief Financial Officer pursuant to Rule ~~7.5~~38.6(a) through the NRD on Form 33-109F4.

(3) Each Dealer Member making an application under subsection (1) shall be liable for and pay such fees as are prescribed from time to time by the Board of Directors, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

(4) Any fees payable to the Corporation or to the NRD Administrator pursuant to subsection (3) above shall be submitted by electronic pre-authorized debit through NRD.

40.4 ~~Application for~~ Change of Approval Category or Type of Business

(1) Each Dealer Member making an application for approval of any Approved Person in a different or additional capacity requiring approval under any Rule of the Corporation or to surrender an existing approval shall make such application to the Corporation through the NRD on Form 33-109F2.

(2) Each Dealer Member making an application under subsection (1) shall be liable for and pay such change of status fees as are prescribed from time to time by the Board of Directors, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

(3) Any fees payable to the Corporation or the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

(4) Each Dealer Member must notify the Corporation through NRD on Form 33-109F2 when an Approved Person changes the type of business in which he or she engages as described in Rule 18.2(b).

(5) Prior to providing notice of a change in the type of business in which an Approved Person will engage, a Dealer Member must ensure that it has notified the Corporation through NRD of the completion of the proficiency requirements under Rule 2900 necessary to undertake the type of business or that the Approved Person has been granted an exemption from the proficiency requirements under Rule 2900 and Rule 20.

40.5 Report of Changes pursuant to Rule 3100

(1) Each Dealer Member making a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 of the Corporation shall make the report through the NRD on Form 33-109F4 in the time required pursuant to NRD Multilateral Instrument 33-109.

40.6 Exemption request

(1) Each Dealer Member making an application for an exemption of an Approved Person or applicant for approval from a proficiency requirement pursuant to the Corporation's Rule 2900 that is submitted with an application for approval made through the NRD shall make such application to the Corporation through the NRD.

(2) Each Dealer Member making an application under subsection (1) above shall be liable for and pay to the Corporation an exemption request fee as prescribed from time to time by the Board of Directors.

(3) Any fees payable to the Corporation and to the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

40.7 Termination of Approved Persons

(1) Each Dealer Member shall notify the Corporation of the termination of the Dealer Member's employment of or principal/agent relationship with any individual approved in any capacity under any Rule of the Corporation through the NRD on Form 33-109F1 within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of the same type of event.

(2) Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member to file a notification required under subsection (1) above within the time period referred to in subsection (1).

(3) Any fees payable to the Corporation pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

40.8 Notification of Opening or Closing of ~~Branch or Sub-branch Office~~a Business Location

(1) Each Dealer Member required to notify the Corporation of the opening or closing of a ~~branch~~Business Location pursuant to Rule 4.6 ~~or sub-branch office pursuant to Rule 4.7 shall~~must do so through the NRD on Form 33-109F3 within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of the opening or closing, as applicable, of a business location.

(2) Each Dealer Member ~~shall~~must notify the Corporation through the NRD of any change in the address~~, type of location~~ or supervision of any ~~branch or sub-branch office~~Business Location within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in Multilateral Instrument 33-109, to notify the regulator of a change in a business location.

40.9 Annual NRD User Fee

(1) Each Dealer Member shall be liable for and pay to the NRD Administrator an annual user fee as prescribed from time to time by the Board of Directors for each person approved in any capacity under any Rule of the Corporation and recorded as such on the NRD as of the date of calculation of such annual fee as prescribed by the Board of Directors.

(2) Any fees payable to the NRD Administrator pursuant to subsection (1) above shall be submitted by electronic pre-authorized debit through NRD.

40.10 ~~**Transition**~~Repealed.

~~(1) Accuracy of Branch or Sub-branch Information - If the information recorded on NRD for a branch or sub-branch office of a transition Dealer Member is missing or inaccurate on the NRD access date, the transition Dealer Member must submit a completed Form 33-109F3 in NRD format in respect of that branch or sub-branch by February 28, 2005.~~

(2) Identification of Branch or Sub-branch of Approved Persons - Each Dealer Member must make submissions through the NRD identifying the branch or sub-branch location of all Approved Persons of the Dealer Member by February 28, 2005.

(3) Approved Persons Included in the Data Transfer

(a) Except as provided in subsection (b), in respect of Approved Persons who were recorded on NRD as Approved Persons of a transition Dealer Member on the NRD access date, the transition Dealer Member must submit completed Forms 33-109F4 in NRD format for

(i) 5 percent of those Approved Persons by the end of April 2004,

(ii) 10 percent of those Approved Persons by the end of May 2004,

(iii) 15 percent of those Approved Persons by the end of June 2004,

(iv) 20 percent of those Approved Persons by the end of July 2004,

(v) 25 percent of those Approved Persons by the end of August 2004,

(vi) 30 percent of those Approved Persons by the end of September 2004,

(vii) 35 percent of those Approved Persons by the end of October 2004,

(viii) 40 percent of those Approved Persons by the end of November 2004,

(ix) 45 percent of those Approved Persons by the end of December 2004,

(x) 50 percent of those Approved Persons by the end of March 2005,

(xi) 55 percent of those Approved Persons by the end of April 2005,

(xii) 60 percent of those Approved Persons by the end of May 2005,

(xiii) 65 percent of those Approved Persons by the end of June 2005,

(xiv) 70 percent of those Approved Persons by the end of July 2005,

(xv) 75 percent of those Approved Persons by the end of August 2005,

(xvi) 80 percent of those Approved Persons by the end of September 2005,

(xvii) 85 percent of those Approved Persons by the end of October 2005,

(xviii) 90 percent of those Approved Persons by the end of November 2005,

(xix) 95 percent of those Approved Persons by the end of December 2005, and

(xx) all of those Approved Persons by the end of March 2006.

(b) Despite subsection (a), a transition Dealer Member is not required to submit a completed Form 33-109F4 in respect of an Approved Person if another Dealer Member or a non-Dealer Member firm registered under securities legislation has submitted a completed Form 33-109F4 in respect of the Approved Person.

(4) Reporting Changes to Information regarding Approved Persons

A transition Dealer Member making a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 after the NRD access date for an Approved Person for whom a completed Form 33-109F4 in NRD format has not been submitted pursuant to subsection 40.10(3)(a) shall:

(a) submit within 5 business days of the change a completed Form 33-109F5 in paper form showing the change, and

~~(b) if the notification concerns any change with regard to:~~

~~Item 1 of Form 33-109F4 – Name~~

~~Item 2 of Form 33-109F4 – Residential Address where the change is a move out of province~~

~~Item 14 of Form 33-109F4 – Criminal Disclosure~~

~~Item 15 of Form 33-109F4 – Civil Disclosure, or~~

~~Item 16 of Form 33-109F4 – Financial Disclosure~~

~~submit within 15 days of the submission of the completed Form 33-109F5 a completed Form 33-109F4 in NRD format regarding the Approved Person.~~

~~(5) Currency of Form 33-109F4 – For greater certainty, a completed Form 33-109F4 that is submitted under this section must be current on the date that it is submitted despite any prior submission in paper format.~~

~~(6) Termination of Relationship – Despite a requirement under this section to submit a completed Form 33-109F4, a transition Dealer Member is not required to submit a Form 33-109F4 in respect of an Approved Person if the Dealer Member has submitted a completed Uniform Termination Notice or Form 33-109F1 in respect of the Approved Person in paper form before the Dealer Member's NRD access date or through the filing of a Form 33-109F1 through the NRD after the Dealer Member's NRD access date.~~

40.11 Temporary Hardship Exemption

(1) If unanticipated technical difficulties prevent a Dealer Member from making a submission in NRD format within the time required under this Rule 40, the Dealer Member is exempt from the requirement to make the submission within the required time period, if the Dealer Member makes the submission in paper format or NRD format no later than 5 business days after the day on which the information was required to be submitted.

(2) Form 33-109F5 is the paper format for submitting a notice of a change to Form 33-109F4 information.

(3) If unanticipated technical difficulties prevent a Dealer Member from submitting an application in NRD format, the Dealer Member may submit the application in paper format.

(4) If a Dealer Member makes a paper format submission under this section, the Dealer Member must include the following legend in capital letters at the top of the first page of the submission:

IN ACCORDANCE WITH CORPORATION RULE 40.11 AND SECTION 5.1 OF MULTILATERAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD), THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED IN PAPER FORMAT UNDER A TEMPORARY HARDSHIP EXEMPTION.

(5) If a Dealer Member makes a paper format submission under this section, the Dealer Member must resubmit the information in NRD format as soon as practicable and in any event within 10 business days after the unanticipated technical difficulties have been resolved.

40.12 Due Diligence and Record Keeping

(1) Each Dealer Member must make reasonable efforts to ensure that information submitted in any submission through the NRD is true and complete.

(2) Each Dealer Member must retain all documents used by the Dealer Member to satisfy its obligation under subsection (1) for a period of 7 years after the individual ceases to be an Approved Person of the Dealer Member.

(3) A Dealer Member that retains a document under subsection (2) in respect of an NRD submission must record the NRD submission number on the document.

40.13 Transition of Quebec Transition Members

(1) Each Quebec transition Dealer Member having Approved Persons registered solely in the Province of Quebec as of January 1, 2005 shall submit to the Corporation a completed Form 33-109F4 for each such Approved Person by November 30, 2005.

(2) Despite subsection (1), a Quebec transition Dealer Member is not required to submit a Form 33-109F4 for an Approved Person registered solely in the Province of Quebec if the Dealer Member terminates its employment of or principal/agent relationship with the person prior to having submitted a Form 33-109F4 pursuant to subsection (1) and files with the Corporation a completed Uniform Termination Notice or Form 33-109F1 in paper form.

(3) A Quebec transition Dealer Member making a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 after January 1, 2005 for an Approved Person registered solely in the Province of Quebec for whom a completed Form 33-109F4 in NRD format has not been submitted pursuant to subsection (1) shall:

(a) submit within 5 business days of the change a completed Form 33-109F5 in paper form showing the change, and

(b) submit within 15 business days of the filing in subsection (a) above through the NRD a completed Form 33-109F4 regarding the Approved Person showing the correct information as of the date of filing.

(4) A Quebec transition Dealer Member applying to make a change of registration or Approval category or add or surrender an Approval category of an Approved Person approved solely in the Province of Quebec as of January 1, 2005 for whom a completed Form 33-109F4 has not been submitted shall:

(a) submit a Form 33-109F4 through the NRD showing the Approved Persons current registration and Approval categories, and

(b) submit a Form 33-109F2 through the NRD showing the change, addition or surrender of registration or Approval category for which application is being made.

(5) A Dealer Member applying for transfer of the Approval of a person formerly registered solely in the Province of Quebec for whom a completed Form 33-109F4 has not been submitted through NRD shall:

(a) submit an application for transfer in paper form; and

(b) within 15 days of the date of the application in (a) above, submit through the NRD a completed Form 33-109F4 regarding the person.

(6) Each Quebec transition Dealer Member having Approved Persons registered in the Province of Quebec and in other provinces as of January 1, 2005 shall submit to the Corporation a completed Form 33-109F4 for each such Approved Person adding the categories of their registration in the Province of Quebec by November 30 , 2005.

(7) A Quebec transition Dealer Member that terminates its employment of or principal/agent with an Approved Person registered in the Province of Quebec and one or more other provinces prior to the filing of a completed From 33-109F4 pursuant to subsection (6) above shall file a Form 33-109F1 through the NRD with respect to the Approved Person's registration in the other provinces and a Uniform Termination Notice or Form 33-109F1 in paper form with respect to the Approved Persons registration in the Province of Quebec.

(8) A Quebec transition Dealer Member required to make a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 after January 1, 2005 for an Approved Person registered in the Province of Quebec and other provinces for whom a completed Form 33-109F4 in NRD format has not been submitted pursuant to subsection (6) above shall submit through the NRD the Form 33-109F4 pursuant to subsection (6) and then a completed Form 33-109F5 regarding the change within 5 business days of the change.

(9) A Quebec transition Dealer Member applying to make a change of registration or Approval category or add or surrender an Approval category of an Approved Person registered in the Province of Quebec and other provinces as of January 1, 2005 for whom a completed Form 33-109F4 pursuant to subsection (6) above has

~~not been submitted shall submit through the NRD the Form 33-109F4 pursuant to subsection (6) showing only the addition of the current registration categories in Quebec and then a Form 33-109F2 with respect to the change, addition or surrender or registration or Approval category.~~

~~(10) A Quebec transition member applying for the transfer of an Approved Person registered and Approved at his or her previous Dealer Member firm in Quebec and another province for whom a completed Form 33-109F4 pursuant to subsection (6) above has not been submitted shall:~~

~~(a) Submit an application for transfer in any other provinces through the NRD system;~~

~~(b) Submit an application for transfer in Quebec in paper form;~~

~~(c) Within 15 days of the approval of the transfer in (b) above, submit a Form 33-109F4 pursuant to subsection (6) above adding the registration and Approval categories in Quebec.~~

~~(11) Subsections 40.10(1) and (2) do not apply to the branch and sub-branch offices located in the Province of Quebec of a Quebec transition Dealer Member.~~

40.13 Repealed.

~~REGULATION~~RULE 1300

SUPERVISION OF ACCOUNTS

1300.1.

Identity and Creditworthiness

(a) Each Dealer Member shall use due diligence to learn and remain informed of the essential facts relative to every customer and to every order or account accepted.

(b) When opening an initial account for a corporation or similar entity, the Dealer Member shall:

(i) ascertain the identity of any natural person who is the beneficial owner, directly or indirectly, of more than 10% of the corporation or similar entity, including the name, address, citizenship, occupation and employer of each such beneficial owner, and whether any such beneficial owner is an insider or controlling shareholder of a publicly traded corporation or similar entity; and

(ii) as soon as is practicable after opening the account, and in any case no later than six months after the opening of the account, verify the identity of each individual beneficial owner identified in (i) using such methods as enable the Dealer Member to form a reasonable belief that it knows the true identity of each individual and that are in compliance with any applicable legislation and regulations of the Government of Canada or any province.

(c) Subsection (b) does not apply to:

(i) a corporation or similar entity that is or is an affiliate of a bank, trust or loan company, credit union, caisse populaire, insurance company, mutual fund, mutual fund management company, pension fund, securities dealer or broker, investment manager or similar financial institution subject to a satisfactory regulatory regime in the country in which it is located

(ii) a corporation or similar entity whose securities are publicly traded or an affiliate thereof.

(d) The Corporation may, at its discretion, direct Dealer Members that the exemption in subsection (c) does not apply to some or all types of financial institutions located in a particular country.

(e) When opening an initial account for a trust, a Dealer Member shall:

(i) ascertain the identity of the settlor of the trust and, as far as is reasonable, of any known beneficiaries of more than 10% of the trust, including the name, address, citizenship, occupation and employer of each such settlor and beneficiary and whether any is an insider or controlling shareholder of a publicly traded corporation or similar entity.

(ii) as soon as is practicable after opening the account, and in any case no later than six months after the opening of the account, verify the identity of each individual identified in (i) using such methods as enable the Dealer Member to form a reasonable belief that it knows the true identity of each individual and that are in compliance with any applicable legislation and regulations of the Government of Canada or any province.

(f) Subsection (e) does not apply to a testamentary trust or a trust whose units are publicly traded.

(g) If a Dealer Member, on inquiry, is unable to obtain the information required under subsections (b)(i) and (e)(i), the Dealer Member shall not open the account.

(h) If a Dealer Member is unable to verify the identities of individuals as required under subsections (b)(ii) and (e)(ii) within six months of opening the account, the Dealer Member shall restrict the account to liquidating trades and transfers, payments or deliveries out of funds or securities only until such time as the verification is completed.

(i) No Dealer Member shall open or maintain an account for a shell bank.

(j) For the purposes of section (i) a shell bank is a bank that does not have a physical presence in any country.

(k) Subsection (i) does not apply to a bank which is an affiliate of a bank, loan or trust company, credit union, other depository institution that maintains a physical presence in Canada or a foreign country in which the affiliated bank,

loan or trust company, credit union, other depository institution is subject to supervision by a banking or similar regulatory authority.

(l) Any Dealer Member having an account for a corporation, similar entity or trust other than those exempt under subsections (c) and (f) and which does not have the information regarding the account required in subsections (b)(i) and (e)(i) at the date of implementation of those subsections shall obtain the information within one year from date of implementation of subsections (b) and (e).

(m) If the Dealer Member does not or cannot obtain the information required under subsection (l) the Dealer Member shall restrict the account to liquidating trades and transfers, payments or deliveries out of funds or securities until such time as the required information has been obtained.

(n) Dealer Members must maintain records of all information obtained and verification procedures conducted under this Rule 1300.1 in a form accessible to the Corporation for a period of five years after the closing of the account to which they relate.

Business Conduct

(o) Each Dealer Member shall use due diligence to ensure that the acceptance of any order for any account is within the bounds of good business practice.

Suitability Generally

(p) Subject to Rule 1300.1(r) and 1300.1(s), each Dealer Member shall use due diligence to ensure that the acceptance of any order from a customer is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance.

Suitability Determination Required When Recommendation Provided

(q) Each Dealer Member, when recommending to a customer the purchase, sale, exchange or holding of any security, shall use due diligence to ensure that the recommendation is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance.

Suitability Determination Not Required

(r) Each Dealer Member that has applied for and received approval from the Corporation pursuant to Rule 1300.1(t), is not required to comply with Rule 1300.1(p), when accepting orders from a customer where no recommendation is provided, to make a determination that the order is suitable for such customer.

(s) Each Dealer Member that executes a trade on the instructions of another Dealer Member, portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer, pursuant to Section I.B (3) of Rule 2700 is not required to comply with Rule 1300.1(p).

Corporation Approval

(t) The Corporation, in its discretion, shall only grant such approval where the Corporation is satisfied that the Dealer Member will comply with the policies and procedures outlined in Rule 3200. The application for approval shall be accompanied by a copy of the policies and procedures of the Dealer Member. Following such approval, any material changes in the policies and procedures of the Dealer Member shall promptly be submitted to the Corporation.

1300.2.

(a) ~~Each Dealer Member shall designate a director, partner or officer or, in the case of a branch office, a branch manager reporting directly to the designated director, partner or officer who shall~~A Dealer Member must designate a Supervisor to be responsible for the opening of new accounts ~~and the supervision of account activity. Each such designated person shall be approved by the applicable District Council and, where necessary to ensure continuous supervision, the Dealer Member may appoint one or more alternates to such designated person who shall be so approved. The director, partner or officer as the case may be, shall be responsible for e~~stablishing and maintaining procedures acceptable to the Corporation for account supervision ~~and such persons or, in the case of a branch office, the branch manager shall~~to ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry. As part of this supervision each new account ~~shall~~must be opened pursuant to a new account form which ~~includes, at a minimum, the information required by Form No. 2, and the designated person (other than a branch manager in the case of~~

~~discretionary accounts) shall prior to or promptly after the completion of any transaction specifically approve the opening of such account. In the absence or incapacity of the designated director, partner or officer or when the trading activity of the Dealer Member requires additional qualified persons in connection with the supervision of the Dealer Member's business, an alternate, if any, shall assume the authority and responsibility of such designated persons.~~ meets the guidelines provided for in Rule 2500 for retail accounts, in Rule 2700 for institutional accounts and in Rule 3200 for accounts exempt from suitability reviews.

(b) Where a Dealer Member conducts more than one of retail business, institutional business and suitability-exempt business under Rules 1300.1(t) and 3200.B, the Dealer Member may designate separate Supervisors for each type of business.

(c) The Designated Supervisor or another Supervisor assigned the responsibility for doing so in the policies and procedures of the Dealer Member must approve and record the approval of the opening of an account prior to or promptly after the completion of any transaction.

~~(b) Notwithstanding Rule 1300.2(a), a Dealer Member or separate business unit of the Dealer Member is exempt from the requirement that a new account form include, at a minimum, the information required by Form No. 2 where the Dealer Member or separate business unit of the Dealer Member does not provide recommendations to any of its customers and has received approval pursuant to Rule 1300.1(e). In such circumstances, the Dealer Member or separate business unit of the Dealer Member shall not be required to include in the new account form the information currently set out in Form No. 2 of the Corporation that relates to suitability."~~

Discretionary and Managed Accounts

1300.3. In this Rule 1300 unless the context otherwise requires, the expression:

~~"associate portfolio manager" means any partner, director, officer or employee of a Dealer Member designated by the Dealer Member and approved pursuant to this Rule to manage managed accounts under the supervision of an approved portfolio manager or futures contracts portfolio manager;~~

"discretionary account" means an account of a customer other than a managed account in respect of which a Dealer Member or any person acting on behalf of the Dealer Member exercises any discretionary authority in trading by or for such account , provided that an account shall not be considered to be a discretionary account for the sole reason that discretion is exercised as to the price at which or time when an order given by a customer for the purchase or sale of a definite amount of a specified security, option, futures contract or futures contract option shall be executed;

"futures contracts managed account" means a managed account which includes only investments in commodity futures contracts or commodity futures contract options;

~~"futures contracts portfolio manager" means any partner, director, officer or employee of a Dealer Member designated by the Dealer Member and approved pursuant to this Rule to make investment decisions for futures contracts managed accounts only;~~

"investment" includes a commodity futures contract and a commodity futures contract option;

"managed account" means any account solicited by a Dealer Member ~~or any partner, director, officer or registered representative of a Dealer Member,~~ in which the investment decisions are made on a continuing basis by the Dealer Member or by a third party hired by the Dealer Member;"

"portfolio manager" means ~~any partner, director, officer or employee of a Dealer Member designated by the Dealer Member and approved pursuant to this Rule to make investment decisions for managed accounts~~a registered representative exercising discretionary authority over a managed account;

"responsible person" means ~~every individual who is~~ a partner, director, officer, employee or agent of ~~any~~a Dealer Member who:

(a) exercises discretionary authority over the account of a client or approves discretionary orders for an account when exercising such discretion or giving such approval pursuant to Rule 1300.4, or

(b) participates in the formulation of, or has prior access ~~prior to implementation of,~~information regarding investment decisions made on behalf of or advice given to a managed account

but ~~shall~~does not include a sub-adviser under Rule 1300.7(a)(ii);

1300.4. ~~No person, other than a partner, director, officer or registered representative (other than a registered representative (mutual funds) or (non-retail)) who has been approved as such pursuant to the applicable Rules of the Corporation, shall effect trades for a customer in a discretionary account and any such permitted trades shall only be effected if:~~A registered representative may not exercise discretionary authority over a customer account unless::

(a) the Dealer Member has designated a Supervisor or Supervisors to be responsible for discretionary accounts;

(~~a~~b) the customer has given prior written authorization ~~has been given by the customer to the Dealer Member and accepted by the Dealer Member~~in compliance with in compliance with Rule 1300.5; and

(~~b) the account has been specifically~~c) a Supervisor designated under subsection (a) has approved ~~and accepted in writing~~the account as a discretionary account ~~by the designated director, partner, officer, branch manager, futures contract principal or futures contract options principal, as the case may be, who authorized the opening of the account~~and recorded that approval,

~~and provided that any such person permitted~~(d) the registered representative authorized to effect discretionary trades ~~shall have~~for the account has actively dealt in, advised ~~in respect of~~on or performed analysis for a period of two year with respect to ~~the securities or commodity futures contracts or options~~all types of products which are to be traded on a discretionary basis ~~for a period of two years~~; and

(e) the account is maintained at the Dealer Member of the Registered Representative.

1300.5. The prior written authorization provided for by clause (a) of Rule 1300.4 ~~shall~~must:

(a) define the extent of the discretionary authority which has been given to the Dealer Member;

(b) except for a managed account, have a term of no more than twelve months, unless the Dealer Member has satisfied the Corporation that a longer term is appropriate and the customer is aware of such longer term;

(c) except for a managed account, only be renewable in writing;

(d) only be terminated by the customer by notice in writing, ~~which notice shall be~~ effective on receipt of the notice by the Dealer Member except with respect to transactions entered into prior to ~~such~~the receipt; and

(e) only be terminated by the Dealer Member by notice in writing, ~~which notice shall be~~ effective not less than 30 days from the date of ~~mailing the notice~~delivery to the customer ~~by pre-paid ordinary mail at the customer's last address appearing in the records of the Dealer Member~~.

1300.6. In addition to any other account supervision requirements under the Rules, the designated ~~partner, director, officer, branch manager, futures contract principal or futures contract options principal, as the case may be, with respect to each discretionary account (other than a managed account) shall~~Supervisor must review at least monthly the financial performance of each ~~account~~discretionary account other than a managed account, including a review to determine whether any person permitted to effect discretionary trades for ~~such~~the account ~~in accordance with Rule 1300.4~~ should continue to do so. The ~~duties of the designated partner, director, officer, branch manager, futures contract principal or futures contract options principal hereunder may not be delegated~~Designated Supervisor may not be delegate the conduct of the review to any other person.

1300.7. ~~No~~A Dealer Member ~~or any person acting on its behalf, shall~~may not exercise any discretionary authority with respect to a managed account unless:

(a) the individual who is responsible for the management of ~~such~~the account is:

(i) ~~a partner, director, officer, employee or agent of the Dealer Member who has been approved by the Corporation as a portfolio manager or associate~~ portfolio manager; or

(ii) a sub-adviser with which the Dealer Member has entered into a written sub-adviser agreement, provided that

A. the sub-adviser is an individual or firm registered in the jurisdiction in which it resides, in a category of registration that permits the person or company to provide discretionary portfolio management services or as a broker or investment dealer active as a portfolio manager; and

B. the Dealer Member has determined that the sub-adviser is subject to legislation or regulations containing conflict of interest provisions at least equivalent to Rules 1300.18 and 1300.19 or has entered into an agreement with the sub-adviser that the sub-adviser will comply with Rules 1300.18 and 1300.19.

(b) the customer has given prior authorization ~~has been given by the customer~~ to the Dealer Member in accordance with Rule 1300.8 ~~and recorded in a manner acceptable to the Corporation;~~

(c) the ~~account has been~~Supervisor designed under Rule 1300.15(b) or in the Dealer Member's policies and procedures has specifically approved ~~and accepted~~ the account as a managed account ~~by a partner, director, officer or, in the case of a branch office, a branch manager, in a manner acceptable to the Corporation~~and the approval has been recorded;

(d) the Dealer Member has provided to the accountholder a copy of its policy ensuring fair allocation of investment opportunities.

1300.8. The prior written authorization provided for by clause (b) of Rule 1300.7 ~~shall~~must:

(a) describe the investment objectives and risk tolerance of the customer with respect to the managed account or accounts;

(b) where permitted by the Dealer Member, describe any constraints imposed by customer on investments to be made in the managed account or accounts;

(c) only be terminated by the customer by notice in writing, ~~which notice shall be~~ effective on receipt by the Dealer Member except with respect to transactions entered into prior to ~~such~~the receipt; and

(d) only be terminated by the Dealer Member by notice in writing, ~~which notice shall be~~ effective not less than 30 days from the date of ~~mailing~~delivery of the notice to the customer ~~by pre-paid ordinary mail at the customer's last address appearing in the records of the Dealer Member."~~.

~~1300.9. Application for approval as a portfolio manager shall be made to the Corporation and may be granted where the applicant:~~

~~(a) has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900; or~~

~~(b) has within the past three years held registration under Canadian securities legislation as a portfolio manager, investment counsel or any equivalent registration category;~~

~~(c) is a partner, director, officer, employee or agent of a Dealer Member; and~~

~~(d) makes an application for approval in such form as the Board of Directors may from time to time prescribe.~~

~~1300.10. Application for designation and approval as an associate portfolio manager shall be made to the Corporation and may be granted where the applicant:~~

~~(a) has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900;~~

~~(b) is a partner, director, officer, employee or agent of a Dealer Member; and~~

~~(c) makes an application for approval in such form as the Board of Directors may from time to time prescribe.~~

~~1300.11 Approval as a portfolio manager or associate portfolio manager shall constitute approval to trade and advise in securities provided that a portfolio manager or associate portfolio manager shall not trade or advise in options, commodities or commodities futures contracts unless such person is approved to trade or advise in options, commodities or commodities futures contracts, as the case may be.~~

~~1300.12. Application for approval as a futures contracts portfolio manager shall be made to the Corporation and may be granted where the applicant:~~

~~(a) has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900; or~~

~~(b) has within the past three years held registration under Canadian securities or commodity futures legislation as a portfolio manager, investment counsel or any equivalent registration category with respect to futures contracts;~~

~~(c) is a partner, director, officer, employee or agent of a Dealer Member; and~~

~~(d) makes an application for approval in such form as the Board of Directors may from time to time prescribe.~~

~~1300.13. Application for approval as an associate portfolio manager with discretionary authority with respect to futures contracts managed accounts shall be made to the Corporation and may be granted where the applicant:~~

~~(a) has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900;~~

~~(b) is a partner, director, officer, employee or agent of a Dealer Member;~~

~~(c) makes an application for approval in such form as the Board of Directors may from time to time prescribe.~~

~~1300.14. Approval as a futures contracts portfolio manager or associate futures contracts portfolio manager shall constitute approval to trade and advise in futures contracts and futures contracts options.~~

1300.9. Repealed

1300.10. Repealed

1300.11. Repealed.

1300.12. Repealed.

1300.13. Repealed.

1300.14. Repealed.

1300.15. ~~Each~~A Dealer Member that has managed accounts or futures contracts managed accounts ~~shall~~must establish and maintain a system acceptable to the Corporation to supervise the activities of those responsible for the management of such accounts under Rule 1300.7. ~~Such~~The system ~~should~~must be reasonably designed to achieve compliance with the Rules and Forms of the Corporation. A Dealer Member firm's supervisory system ~~shall~~must provide, at a minimum, for the following:

(a) the establishment and maintenance of written procedures, including:

(i) procedures designed to disclose when a responsible person has contravened Rules 1300.18 or 1300.19;

(ii) procedures to ensure fairness in the allocation of investment opportunities among its managed accounts;

(b) the designation of one or more ~~partners, directors, officers or futures contracts principals, as the case may be,~~Supervisors specifically responsible for the supervision of managed accounts. ~~The tasks of this Rule may be delegated by the persons designated to other persons who have the qualifications to perform them; however, pursuant to Rule 2500, responsibility for the tasks may not be delegated;~~

(c) direct supervision of any Registered Representative providing discretionary management to managed accounts who has less than two years experience providing such discretionary management, including at least one year managing on a discretionary basis more than $5 million in assets, by

(i) a Registered Representative at the Dealer Member or another Dealer Member who is authorized to provide discretionary management to managed accounts and who is not in the period of supervision, or

(~~c~~ii) A person registered as an advisor under Canadian securities legislation who has entered into a contract with the Dealer Member to provide the supervision.

The period of experience includes any period spent providing discretionary management as a registered advisor under Canadian securities legislation or while employed by a government-regulated institution.

(d) in addition to any other account supervision requirements under the Rules, a review by the ~~person designated under subsection (b)~~Designated Supervisor with respect to each managed account, to be conducted at least quarterly, to ensure that the investment objectives of the client are being diligently pursued and that the managed account or futures contracts managed account is being conducted in accordance with the Rules. The review may be conducted at an aggregate level for managed accounts for which key investment decisions are made centrally and applied across a number of managed accounts, subject to minor variations to allow for client-directed constraints and the timing of client cash flows into the managed account.

(~~d~~e) the establishment of a ~~managed account committee, which shall include at a minimum one person responsible for the supervision of such~~committee, including at least the Designated Supervisor of managed accounts and the Chief Compliance Officer, that shall review at least annually the supervisory system and procedures ~~established by the Dealer Member~~for managed accounts and recommend to senior management ~~the appropriate~~any action ~~that will~~necessary to achieve the Dealer Member's compliance with applicable securities legislation and with the Rules and Forms of the Corporation. ~~Such review shall be completed at least annually.~~

1300.16. ~~The~~A Dealer Member may charge a client directly for services rendered to a managed account but, except with the written agreement of the client, ~~such~~the charge ~~shall~~may not be based on the volume or value of transactions initiated for the account or be contingent upon profits or performance.

1300.17. ~~Remuneration paid to an associate portfolio manager, portfolio manager, or futures contracts portfolio manager for managing an account must not be~~A Dealer Member may not pay remuneration to anyone managing a managed account that is computed ~~in terms~~on the basis of the value or volume of transactions in the account.

1300.18. No Dealer Member or responsible person shall trade for his or her or the Dealer Member's own account, or knowingly permit or arrange for any associate or affiliate to trade, in reliance upon information as to trades made or to be made for any discretionary or managed account.

1300.19. No Dealer Member or responsible person shall, without the written consent of the client, knowingly cause any managed account to:

(a) invest in the securities of, or a futures contract or option that is based on the securities of, the Dealer Member or an issuer that is related or connected to the Dealer Member;

(b) invest in the securities of any issuer, or a futures contract or option that is based on the securities of an issuer, of which a responsible person is an officer or director, and no such investment shall be made even with the written consent of the client unless such office or directorship shall have been disclosed to the client;

(c) invest in new or secondary issues underwritten by the Dealer Member;

(d) purchase or sell the securities of any issuer, or a futures contract or option that is based on the securities of an issuer, from or to the account of a responsible person, or from or to the account of an associate of a responsible person; or

(e) make a loan to a responsible person or to an associate of a responsible person.

A Dealer Member or related company or a partner, director, officer, employee or associate of either of them shall be deemed not to have breached any provision of this Rule 1300.19 in connection with any trade or activity if conducted in compliance with any securities legislation or rule, policy, directive or order of any securities commission which specifically applies to the trade or activity.

1300.20. Where investment decisions are made centrally and applied across a number of managed accounts, Rule 29.3A ~~shall~~does not apply ~~with regard~~ to the managed accounts of partners, directors, officers, registered persons, employees or agents of the Dealer Member ~~that~~who participate on the same basis as client accounts in the implementation of ~~such~~those decisions.

1300.21. Except as specifically permitted in the Rules or Rulings, ~~no~~a Dealer Member ~~shall~~may not charge a customer a fee that is contingent upon the profit or performance of the customer's account.

RULE 1800

COMMODITY FUTURES CONTRACTS AND OPTIONS

1800.1. For the purpose of this Rule 1800, unless the subject matter or context otherwise requires, the expression:

"Clearing Corporation" or "Clearing House" means an association or organization, whether incorporated or unincorporated, or part of a commodity futures exchange through which trades in contracts entered into on such exchange are cleared;

"Commodity" means, anything which (i) is defined or designated as a commodity in or pursuant to the Commodity Futures Act (Ontario) or similar legislation in any province of Canada not inconsistent therewith, or (ii) is the subject of a futures contract;

"Commodity Futures Exchange" means an association or organization whether incorporated or unincorporated, operated for the purpose of providing the physical facilities necessary for the trading of contracts by open auction;

"Contract" means any futures contract and any futures contract option;

"Dealer" means a person or company that trades in contracts in the capacity of principal or agent;

"Futures Contract" means a contract to make or take delivery of a specified quantity and quality, grade or size of a commodity during a designated future month at a price agreed upon when the contract is entered into on a commodity futures exchange pursuant to standardized terms and conditions set forth in such exchange's by-laws, rules or regulations;

"Futures Contract Option" means a right, acquired for a consideration, to assume a long or short position in relation to a futures contract at a specified price and within a specified period of time and any other option of which the subject is a futures contract;

"Omnibus Account" means an account carried by or for a Dealer Member in which the transactions of two or more persons are combined and effected in the name of a Dealer Member without disclosure of the identity of such persons.

1800.2. ~~No Dealer Member or any person acting on its behalf, shall trade or advise in respect of futures contracts or futures contract options without prior approval of the Corporation and unless:~~(a) A Dealer Member that trades in futures contracts or futures contract options on behalf of customers must designate a Supervisor qualified to supervise trading in futures contracts and futures contract options to be responsible for the opening of new accounts and establishing and maintaining procedures acceptable to the Corporation for account supervision to ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry.

~~(a) In the case of trading or advising in respect of futures contracts:~~

~~(i) One or more of the partners, directors or officers of the Dealer Member is appointed in writing by the Dealer Member as a designated futures contract principal and, if necessary to ensure continuous supervision, one or more alternate designated futures contract principals, who shall have the authority and be responsible for the matters described in Rule 1800.5; and~~

~~(ii) Any person designated as a futures contract principal or alternate under item (i) above, and every partner, director, officer or employee of a Dealer Member who deals with customers with respect to trading or advising in respect of futures contracts has been approved pursuant to Rule 1800.3;~~

~~(b) In the case of trading or advising in respect of futures contract options:~~

~~(i) One or more of the partners, directors or officers of the Dealer Member is appointed in writing by the Dealer Member as a designated futures contract options principal and, if necessary to ensure continuous supervision, one or more alternate designated futures contract options principals who shall have the authority and be responsible for the matters described in Rule 1800.5; and~~

~~(ii) Any person designated as a futures contract options principal or alternate under item (i) above, and every partner, director, officer or employee of the Dealer Member who deals with customers with respect to trading or advising in respect of futures contract options has been approved pursuant to Rule 1800.3;~~

~~(c) Each of the Dealer Member's customers has acknowledged receipt of a futures contract trading agreement or futures contract options trading agreement referred to in Rule 1800.9;~~

~~(d) The account of each customer of the Dealer Member trading in futures contracts or futures contract options has been authorized in accordance with Rule 1800.5 by a futures contracts principal in the case of futures contracts or by a futures contract options principal in the case of futures contract options, or (other than a branch manager in the case of discretionary or managed accounts) by the branch manager of the branch office handling the trade if the branch manager has been approved pursuant to Rule 1800.3 to supervise accounts trading in futures contracts or futures contract options, as applicable;~~

(b) A Dealer Member must enter into a futures contract trading agreement or futures contract options trading agreement in compliance with Rule 1800.9 with a customer before effecting the customer's initial trade in futures contracts or futures contract options;

(c) The Supervisor designated under Rule 1800.2(a) or another Supervisor qualified to supervise futures contracts or futures contract options trading must approve the opening of the account of each customer of the Dealer Member for trading in futures contracts or futures contract options before the customer's first trade in futures contracts or futures contract options.

(d) A Dealer Member must:

(i) provide to each customer the then current risk disclosure statement approved by the Corporation and obtain from the customer acknowledgement of its receipt before the customer's initial trade in futures contracts or futures contract options

(ii) distribute to each customer having a futures contract or futures contract options account any amendments to the risk disclosure statement approved by the Corporation; and

(iii) Maintain records showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been provided and the date or dates on which they were provided;

(e) ~~In the case of trading or advising in respect of trades in futures contracts, the Member:(i) Has available at each of its offices (other than a sub-branch office) to serve customers two or more persons qualified in accordance with Rule 1800.3 or 1800.4 to deal with customers in respect of futures contracts and one or more persons to carry out trading instructions, but only two of such persons must be available to serve customers at any time in normal circumstances and during usual business hours provided one of such persons is qualified in accordance with Rule 1800.3 or 1800.4;~~A Dealer Member must have systems and procedures to ensure that in normal circumstances customers of the Dealer Member have access at any time during usual business hours to a registered representative or investment representative, as appropriate to the services provided to the client, qualified to advise on or trade in futures contracts or futures contract options and registered as necessary in the jurisdiction in which the client resides.

~~(ii) Distributes to each customer, prior to opening a futures contract account, a copy of the then current risk disclosure statement of the Dealer Member, the form of which has been approved by the Corporation and obtains from the customer written acknowledgement of the receipt thereof, and thereafter distributes to each such customer any amendments which have been approved by the Corporation to the then current risk disclosure statement; and~~

~~(iii) Maintains a record available for inspection by the Corporation showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been distributed and the date or dates of such distribution;~~

(f) ~~In the case of trading or advising in respect of trades in futures contract options, the Member:~~

~~(i) Has available at each of its offices (other than a sub-branch office) to serve customers two or more persons qualified in accordance with Rule 1800.3 or 1800.4 to deal with customers in respect of futures contract options and one or more persons to carry out trading instructions, but only two of such persons must be available to serve customers at any time in normal circumstances and during usual business hours provided one of such persons is qualified in accordance with Rule 1800.3 or 1800.4;~~

(ii) Distributes to each customer, prior to opening a futures contract options account, a copy of the then current risk disclosure statement of the Dealer Member, the form of which has been approved by the Corporation and obtains from the customer written acknowledgement of the receipt thereof, and thereafter distributes to each such customer any amendments which have been approved by the Corporation to the then current risk disclosure statement; and

(iii) Maintains a record available for inspection by the Corporation showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been distributed and the date or dates of such distribution; and(g) TheA Dealer Member must obtain the approval of the Corporation shall have been obtained in respect of the procedures required by Rule 1800.5 and theof its accounting, settlement and credit control systems that the Dealer Member uses in trading and dealing with customers' accountsfor trading in futures contracts or futures contract options for customer and firm accounts with respect to futures contracts or futures contract options before trading in futures contracts or futures contract options.

1800.3. The Corporation may grant approval as a futures contract principal or alternate, a futures contract options principal or alternate, or a person who deals with clients with respect to futures contracts or futures contract options, to any applicant who has satisfied the applicable proficiency requirements outlined in Part 1 of Rule 2900.

1800.3. Repealed.

1800.3A. Repealed.

1800.4. Repealed.

1800.5. The designated futures contract principal or designated futures contract options principal of a Dealer Member designated pursuant to Rule 1800.2 shall ensure that the handling of customer business relating to futures contracts or futures contract options, as the case may be, is in accordance with the Rules and Rulings of the Corporation. In this respect the Dealer Member shall have written procedures acceptable to the Corporation describing the control, supervisory and delegation procedures used by the Dealer Member to ensure compliance with the Rules and Rulings. In the absence or incapacity of the designated futures contract principal or futures contract options principal or when the trading activity of the Dealer Member requires additional qualified persons in connection with the supervision of the Dealer Member's business, an alternate, if any, shall assume the authority and responsibility of such designated persons. Without limiting the foregoing, each designated futures contract principal and designated futures contract options principal shall be responsible for the following matters with respect to trading or advising in respect of futures contracts and futures contract options, respectively:

(a) Subject to Rule 1300.2 opening all new contracts accounts pursuant to a new account application form approved by the Corporation and the approval of such form for all accounts prior to the commencement of any trading activity;

(b) Using due diligence to learn and remain informed of the essential facts relative to every customer (including the customer's identity, creditworthiness and reputation) and to every order or account accepted, to ensure that the acceptance of any order for any account is within the bounds of good business practice and, subject to Rule 1300.1(e), to use due diligence to ensure that the acceptance of any order from a customer is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance;

(c) Obtaining prior to the commencement of any trading activity in any futures account the executed futures contract or futures contract trading agreement referred to in Rule 1800.9 or the letter of undertaking referred to in Rule 1800.10;

(d) Imposing any appropriate restriction on futures contracts or futures contract options accounts and the proper designation of accounts and related orders;

(e) The continuous supervision of each day's trading in futures contracts and futures contract options and the completion of a review of each day's trading no later than the next following trading day;

(f) Reviewing on a monthly basis the cumulative trading activity of each futures contracts and futures contract options account no later than the date of mailing of the monthly statement for each month;

(g) Monitoring performance as necessary of any duties that have been delegated by the futures contract principal or futures contract options principal, as the case may be; and

~~(h) Performing such other responsibilities as the Corporation may prescribe from time to time.~~

~~A designated futures contract principal or designated futures contract options principal may delegate by written direction the performance of any of his or her duties under this Rule 1800.5 (except those described in clauses (g) or (h) unless permitted by the Corporation and except those that are expressly stated not to be delegated) to any person whom he or she has reason to believe is capable of performing such duties; provided that the futures contract principal or futures contract options principal shall remain fully responsible for the performance of such duties.~~

~~1800.6. Notwithstanding Rule 1800.5 or any other Rule or Ruling, where a futures contracts or futures contract options account is opened by an acceptable institution, acceptable counter-party, another dealer on its own behalf or on behalf of a customer by an adviser or other person qualified pursuant to any applicable legislation to advise in respect of trading or to effect trades, as the case may be, by that specific account in futures contracts or options and provided further that such adviser or other person is required by applicable legislation or other authority to ensure investments by its customers are suitable for them:~~

~~(a) Where the person opening the account executes orders in its own name or identifies its clients by means of a code or symbols, the Dealer Member shall satisfy itself as to the credit worthiness of such person opening the account but shall not otherwise have any responsibility for the suitability of any trade for the customers of such person;~~

~~(b) Where the person opening the account executes orders in the names of its customers with no agreement that payment of the account is guaranteed by such person, the Dealer Member shall:~~

~~(i) Obtain full information concerning the customer with a view to determining the credit worthiness of the client; or~~

~~(ii) Obtain a letter of undertaking from the person opening the account which letter shall refer to the familiarity of the person with applicable rules of account supervision and shall contain a covenant to make the investigation contemplated by those rules and to advise, where known, if the customer is a partner, director, officer, employee or security holder of a dealer or an associate of any such persons or an affiliate of the dealer;~~

~~But the Dealer Member shall not have the responsibility for determining the suitability of any trade for the customers.~~

1800.5. Repealed.

1800.6. Repealed.

1800.7. ~~Each~~A Dealer Member that trades in futures contracts ~~shall~~must file ~~such~~any reports on ~~futures contracts trading as may be prescribed from time to time~~that are required by the Corporation. ~~Each~~A Dealer Member ~~shall report to~~must report to the Corporation on a form of monthly position report approved by the Corporation the greater of the market value of the total long or the total short futures contracts for each commodity, determined as at the close of business on the last day of each month ~~(~~or, where ~~such~~that day is not a trading day, on the next preceding trading day~~). Such report shall be made on a form of monthly position report approved by the Corporation~~.

1800.8. ~~All~~A Registered Representative or Investment Representative must identify all non-customer orders entered for the purchase or sale of futures contracts or futures contract options ~~shall be clearly identified as such. For the purpose of this Rule 1800.8 orders identified as~~. A "non-customer" ~~shall include~~order is an order for an account in which~~:~~

~~(a) A Dealer Member;~~

~~(b) A partner, director, or officer of a Dealer Member; or~~

~~(c) An employee of a Dealer Member to the extent that such employee has received approval pursuant to the Rules of the Corporation;Has~~ the Dealer Member or any Approved Person of the Dealer Member has a direct or indirect interest other than an interest in the commission charged.

1800.9. ~~Each Dealer Member shall have and maintain with each customer trading in futures contracts or futures contract options an~~The account agreement ~~in writing defining~~required in Rule 1800.2(b) must define the rights and obligations between ~~them on such~~the Dealer Member and the customer on the subjects ~~as~~that the Corporation may from time to time determine, ~~and shall include~~including the following:

(a) The rights of the Dealer Member to exercise discretion in accepting orders;

(b) The ~~obligation of the~~ Dealer Member's obligation with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;

(c) The customer's obligation ~~of the customer~~ in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security, including the conditions under which the funds, securities or other property held in the account or any other accounts of the customer may be applied to such indebtedness or margin;

(d) The obligation of the customer in respect of commissions, if any, on futures contracts or futures contract options bought and sold for his or her account;

(e) The obligation of the customer in respect of the payment of interest, if any, on debit balances in his or her account;

(f) The extent of the right of the Dealer Member to make use of free credit balances in the customer's account either in its own business or to cover debit balances in the same or other accounts, and the consent, if given, of the customer to the Dealer Member taking the other side to the customer's transactions from time to time;

(g) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the customer's account;

(h) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the customer's account and to hold the same as collateral security for the customer's indebtedness;

(i) The customer's obligation to comply with the rules pertaining to futures contracts or futures contract options with respect to reporting, position limits and exercise limits, as applicable, as established by the commodity futures exchange on which such futures contracts or futures contract options are traded or its clearing house;

(j) The right of the Dealer Member, if so required, to provide regulatory authorities with information and/or reports related to reporting limits and position limits;

(k) The acknowledgement by the customer that he or she has received the current risk disclosure statement ~~provided for in~~required by Rule 1800.2 ~~unless provided for by other approved means~~(d);

(l) The right of the Dealer Member to impose trading limits and to close out futures contracts or futures contract options under specified conditions;

(m) That minimum margin will be required from the customer in such amounts and at such times as the commodity futures exchange on which a contract is entered or its clearing house may prescribe and in such greater amounts at other times as prescribed by the Rules and as determined by the Dealer Member, and that such funds or property may be commingled and used by the Dealer Member in the conduct of its business;

(n) In the case of futures contract options accounts, the method of allocation of exercise assignment notices and the customer's obligation to instruct the Dealer Member to close out contracts prior to the expiry date; and

(o) Unless provided for in a separate agreement, the authority, if any, of the Dealer Member to effect trades for the customer on a discretionary basis, which authority shall be separately acknowledged in a part of the agreement prominently marked off from the remainder and shall not be inconsistent with any Rules relating to discretionary accounts.

1800.10. Rule 1800.9 ~~shall~~does not apply to the opening of a futures contracts or futures contract options account where the customer is a dealer on its own behalf, a dealer on behalf of its customer if the dealer is required to maintain with its customer an account agreement substantially similar to that described in Rule 1800.9, ~~or is~~ an adviser registered under any applicable legislation relating to trading or advising in respect of futures contracts or futures contract options ~~or is~~, an acceptable institution or an acceptable counter-party, provided the Dealer Member has obtained from the customer a letter of undertaking specifying:

(a) That the person opening the account will comply with the by-laws, rules and regulations of the exchange and clearing house upon or through which trades in contracts are to be effected including without limitation, the rules and regulations establishing position and reporting limits; and

(b) Where the customer also maintains with the same Dealer Member an account on which the customer is charged interest when there is a debit balance in the account, the conditions under which transfers of funds, securities or other property held in such other account will be made between accounts, unless provision is made elsewhere in a document signed by the person opening the account.

~~1800.11.~~

1800.11 (a) A ~~record shall be kept by each~~ Dealer Member ~~in its office~~must keep a record of any order or other instruction given or received with respect to a trade in a futures contract or futures contract option, whether executed or unexecuted, showing:

(i) The terms and conditions of the order or instruction and any modification or cancellation of the order or instruction;

(ii) The account to which the order or instruction relates;

(iii) Where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed;

(iv) Where the order or instruction is placed by a person other than the customer in whose name the account is operated, the name, or designation, of the party placing the order or instruction;

(v) The time of the entry of the order or instruction, and, where the order is entered pursuant to the exercise of discretionary authority ~~of a~~by the Dealer Member, identification to that effect;

(vi) To the extent feasible, the time of altering instructions or cancellation; and

(vii) The time of report of execution.

(b) A ~~copy~~Dealer Member must keep in a form accessible to the Corporation the records of all unexecuted orders ~~shall be kept~~ for ~~a period of~~ two years and ~~a copy of~~ all executed orders ~~shall be kept~~ for ~~a period of six~~seven years from the date of the order.

RULE 1900

OPTIONS

1900.1. For the purposes of this Rule 1900, unless the subject matter or content otherwise requires:

"Option" means a call option or put option issued by ~~Trans Canada Options Inc.~~the Canadian Derivatives Clearing Corporation, Intermarket Services Inc., The Options Clearing Corporation, Intermarket Clearing Corporation, International Options Clearing Corporation or any other corporation or organization recognized by the Board of Directors for the purposes of this Rule but ~~"option"~~ does not include a futures contract or futures contract option as defined in Rule 1800.1.

1900.2. ~~No Dealer Member, or any person acting on its behalf, shall trade or advise in respect of options unless:(a) One or more of the partners, directors or officers of the Dealer Member is designated in writing by the Dealer Member as a registered options principal who shall be responsible for the authorization of new options accounts and~~(a) A Dealer Member that trades in options on behalf of customers must designate a Supervisor qualified to supervise options trading to be responsible for approving customer accounts to trade in options and for establishing and maintaining procedures acceptable to the Corporation for the supervision of account activity involving options ~~and, where necessary to ensure continuous supervision, one or more alternates to such registered options principal are appointed by the Dealer Member~~, to ensure that the handling of customer business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry;

(b) ~~Each person designated as a registered options principal or alternated under subparagraph (a) or trading or advising in respect of options has been approved pursuant to Rule 1900.3;(c) Each of the~~A Dealer Member's ~~clients has entered~~must enter into an options trading agreement ~~referred to~~ in compliance with Rule 1900.6 with a customer before effecting the customer's initial trade in options;

(c) The Supervisor designated under Rule 1900.2(a) or another Supervisor qualified to supervise options trading must approve each customer account of the Dealer Member for trading in options before the customer's first trade in options;

~~(d) The account of each client of the Dealer Member trading in options has been authorized in accordance with Rule 1900.4 by a registered options principal;~~

~~(e) The Member:~~

~~(i) Delivers or sends by prepaid mail to each client before the first trade made by such client of an option a copy of the then current disclosure statement, or similar disclosure document which complies with applicable securities legislation in the relevant jurisdiction, in respect of the option to be traded; and~~

(d) A Dealer Member must:

(i) provide to each customer the then current disclosure approved by the Corporation and obtain from the customer acknowledgement of its receipt before the customer's first trade in options;

(ii) ~~Delivers or sends by prepaid mail~~Provide to each ~~client~~customer having an account approved for options trading ~~each new~~any amendments to the disclosure document in subsection (i); and

(iii) Maintain records showing the names and addresses of all persons to whom a current disclosure statement or ~~similar disclosure document which complies with applicable securities legislation in the relevant jurisdiction in respect of the option to be traded; and~~an amendment thereto has been provided and the date or dates on which they were provided.

(~~f~~e) ~~The~~A Dealer Member ~~complies~~must comply with the applicable ~~Rules~~rules and ~~Rulings of the Corporation and~~rulings of any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits.

~~1900.3. The Corporation may grant approval as a registered options principal, alternate, or a person trading or advising in respect of options, to any applicant who has satisfied he applicable proficiency requirements outlined in Part 1 of Rule 2900.~~

~~1900.4. A registered options principal of a Dealer Member designated pursuant to Rule 1900.2 shall be responsible for establishing and maintaining procedures for account supervision and shall ensure that the handling of customers' business relating to options is in accordance with the Rules and Rulings including, in particular, Rules 1300.1, 1300.2 and 1900.2(a). As part of this supervision, each new account involving trading in options shall be opened pursuant to an appropriate account application form and the registered options principal shall have, prior to the completion of the initial transaction, specifically approved the opening of such account, provided that in the case of a branch office or sub-branch office, such approval (other than in respect of discretionary or managed accounts) may be given by a branch manager unless such branch manager is not qualified for the supervision of options accounts. All procedures to carry out the provisions of the Rules including Rule 1300 as it relates to options trading shall be in writing and subject to review by the Corporation. In the absence or incapacity of the designated registered options principal or when the trading activity of the Dealer Member requires additional qualified persons in connection with the supervision of the Dealer Member's business, an alternate, if any, shall assume the authority and responsibility of the registered options principal.~~

1900.3. Repealed.

1900.4. Repealed

1900.5. ~~Each~~A Dealer Member that trades in options ~~shall~~must file reports ~~in the form and manner and at the times~~as required by the Corporation on the following matters:

(a) All transactions together with a summary of open positions showing those that are covered and those that are uncovered; and

(b) All holdings on the previous day in aggregate long or short positions of any single class of options of the minimum amount or over as specified by the rules, regulations or by-laws of the exchange or the clearing house on or through which the option is traded. For each class of option the report must include the number of options ~~comprising~~in each position and, in the case of short positions, whether they are covered ~~shall be reported~~.

1900.6.~~(a) Each Dealer Member shall have and maintain with each customer trading in options an~~ (a) The options trading agreement ~~in writing defining~~required in Rule 1900.2(b) must define the rights and obligations between ~~them on such subjects as~~ the Dealer Member ~~considers appropriate or which~~and the customer on the subjects that the Corporation may from time to time determine, ~~and shall include~~including the following:

(i) The rights of the Dealer Member to exercise discretion in accepting orders;

(ii) The Dealer Member's obligations with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;

(iii) The method of allocation of exercise assignment notices;

(iv) The notice that maximum limits may be set on short positions and that during the last 10 days to expiry cash only terms may be applied and, in addition, that the Corporation may impose other rules affecting existing or subsequent transactions;

(v) The customer's obligation to instruct the Dealer Member to close out contracts prior to expiry date;

(vi) The customer's obligation to comply with applicable Rules and Rulings of the Corporation and any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits;

(vii) The acknowledgement by the customer that he or she has received the current ~~prospectus~~disclosure statement referred to in Rule 1900.2(~~e~~d);

(viii) A statement of the time limit set by the Dealer Member prior to which the client must submit an exercise notice; and

(ix) Any other matter ~~which~~required by the exchange, clearing corporation or other organization on or through which an option is traded or issued ~~may require~~.

(b) Notwithstanding Rule 1900.6(a), if the client is an acceptable institution or acceptable counter-party the Dealer Member may, in lieu of maintaining an options trading agreement, ~~have and maintain~~accept a letter of

undertaking from the acceptable institution or acceptable counter-party in which the institution or counter-party agrees to abide by the Rules, Rulings and requirements of the Corporation ~~or~~and of the exchange, clearing corporation or other organization on or through which an option is traded including those ~~of the same~~ relating to exercise and position limits.

~~1900.7. The Rules and Rulings of the Corporation relating to trading or advising in respect of securities other than this Rule 1900 shall apply to any Dealer Member or person acting on its behalf trading or advising in respect of options except to the extent they are inconsistent with this Rule 1900.~~

RULE 2500

MINIMUM STANDARDS FOR RETAIL ACCOUNT SUPERVISION

Introduction

This Rule establishes minimum industry standards for retail account supervision. ~~These standards were developed by the Joint Industry Compliance Group (now the Compliance and Legal Section).~~

These standards represent the minimum requirements necessary to ensure that a Dealer Member has in place procedures to properly supervise retail account activity. The Rule does not:

(a) relieve Dealer Members from complying with specific SRO by-laws, rules, regulations and policies and securities legislation applicable to particular trades or accounts; or

(b) preclude Dealer Members from establishing a higher standard of supervision and in certain situations a higher standard may be necessary to ensure proper supervision.

Many of the standards in this Rule are taken from existing Rules of the Corporation and of other self-regulatory organizations. Securities legislation was generally not canvassed. To ensure that a Dealer Member has met all applicable standards, Dealer Members are required to know and comply with Corporation and other self-regulatory organization by-laws, rules, regulations and policies and applicable securities legislation which may apply in any given circumstance.

The following principles have been used to develop these minimum standards:

(a) The term "review" in this Rule has been used to mean a preliminary screening to detect items for further investigation or an examination of unusual trading activity or both. It does not mean that every trade meeting the selection process of this Rule must be investigated. The reviewer must use reasonable judgement in selecting the items for further investigation.

(b) ~~It has been assumed that~~While Dealer Members ~~have or will~~must provide the necessary resources and qualified supervisors to meet these standards, the standards do not specify what the resources must be. The Dealer Member must determine what resources and supervisors are necessary based on the nature of the Dealer Member's business.

(c) The compliance with the know-your-client rule and suitability of investment requirements is primarily the responsibility of the registered representative. The supervisory standards in this Rule relating to know-your-client and suitability are intended to provide supervisors with ~~a check-list against which~~guidelines on how to monitor the handling of these responsibilities by the registered representative~~.~~

~~A Dealer Member shall, for accounts where no commission is generated for trades placed by a client (such as a fee-based account where no commission is charged), develop supervisory policies for the review of such accounts at the branch and head office in lieu of the commission levels specified herein.A Dealer Member may, with the written approval of its SRO, establish policies and procedures to carry out the supervision of client accounts pursuant to this Rule using criteria set out in, and by the persons designated by, such policies and procedures. Such policies and procedures may differ from this Rule in establishing the criteria used in selecting accounts for review and in the allocation of supervisory duties between Head Office and the Branch provided that, in the opinion of the SRO, the Dealer Member's policies and procedures are appropriate to supervise trading of its clients~~.

I. Establishing and Maintaining Procedures, Delegation and Education

Introduction

Effective self-regulation begins with the Dealer Member establishing and maintaining a supervisory environment which ~~both~~ fosters the business objectives of the Dealer Member and ~~maintains~~enables the ~~self-~~Dealer Member to meet regulatory ~~process~~requirements and its obligations to its customers. To that end a Dealer Member must establish and maintain procedures which are supervised by qualified individuals. A major aspect of self-regulation is the ongoing education of staff in all areas of ~~sales compliance~~business conduct.

A. Establishing Procedures

1. A Dealer ~~Members~~Member must :

   (a) appoint designated principals who have the necessary knowledge of industry regulations and Dealer Member policy to properly perform ~~the~~their duties~~.~~;

   ~~2. Written~~(b) maintain written policies ~~must be established~~and procedures to document supervision requirements~~.~~; and

   ~~3. Written~~(c) supply written instructions ~~must be supplied~~ to all supervisors and alternates to advise them on what is expected of them.

~~4. All policies established or amended should have~~2. A Dealer Member must have a procedure establishing the approval process for new policies and procedures. Those having a significant impact on the Dealer Member's compliance system should be approved by senior management approval.

B. Maintaining Procedures

1. ~~Evidence of supervisory reviews must be maintained. Evidence of the review, such as inquiries made, replies received, actions taken, date of completion etc. must be maintained for seven years and on site for 1 year.2. An on going review of sales compliance~~A Dealer Member must have a reasonable process to review the efficacy of its business conduct procedures and practices ~~must be undertaken both at head office and at branch offices.~~and rectify any deficiencies identified.

C. Risk-based procedures

1. A Dealer Member may select accounts for review on the basis of risk-based procedures, taking into account factors such as the size of account, nature of the trading, products traded, volume of activity, commissions generated or Approved Persons advising the customer.

2. A Dealer Member must document the basis used for selecting accounts for review in its policies and procedures.

3. The procedures for selecting accounts for review must be applied consistently across retail accounts.

~~3. Closer~~4. At a minimum, a Dealer Member must conduct enhanced supervision of trading by ~~approved persons~~Approved Persons who have had a history of questionable conduct ~~must be carried out both in the Branch and at Head Office~~. Evidence of such conduct can include trading activity that frequently raises questions in account reviews, frequent or serious client complaints, regulatory investigations, frequent account credit problems or failure to take appropriate remedial action on account problems identified.

~~C.~~ D. Delegation

1. ~~Tasks and procedures~~Supervisors may ~~be delegated~~delegate tasks but not responsibility.

2. ~~The~~A Dealer Member must advise supervisors of those specific functions that cannot be delegated~~. However, the accepting of discretionary accounts and the approval of new accounts may be delegated to qualified individuals~~.

3. The supervisor delegating the task must ensure that these tasks are being performed adequately and that exceptions are brought to his~~/~~ or her attention.

4. Those to whom tasks are delegated must have the qualifications to perform them and should be advised in writing what is expected.

~~D~~E. Education

1. ~~The~~A Dealer Member's ~~s current sales practices and policies must be made available to~~ must provide all sales and supervisory personnel~~. Dealer Members~~ with the current sales practices and policies relevant to their functions. The provision can be done through access to electronic systems on which the policies and procedures are maintained, in which case personnel must be trained on use of the systems. A Dealer Member should obtain and record acknowledgements from all sales and supervisory personnel that they have ~~received,~~ read and understood the policies and procedures relevant to their responsibilities.

2. ~~Introductory~~A Dealer Member must provide introductory and continuing education ~~should be provided for~~to all approved persons on the Dealer Member's policies and procedures and any relevant changes to them.

3. ~~Information~~A Dealer Member must communicate information contained in compliance-related bulletins from the Corporation and other SROs and Regulatory Organizations ~~must be communicated~~ to all sales and other approved persons~~. Procedures~~ to whom it is relevant. A Dealer Member must maintain procedures relating to the method and timing of distribution of compliance-related bulletins~~ must be clearly detailed in the Dealer Member's written procedures~~.

F. Records

1. A Dealer Member must maintain records of supervisory review for seven years.

2. A Dealer Member must maintain the records in a manner that permits them to be provided to the Corporation promptly for the first two years after its creation and within a reasonable time thereafter.

3. The evidence must record who conducted the review and when, inquiries made, replies received and actions taken.

II. Opening New Accounts

Introduction

To comply with the "Know-Your-Client" rule each Dealer Member must establish procedures to maintain accurate and complete information on each client. The first step towards compliance with this rule is completing proper documentation when opening new accounts. Accurate completion of the documentation when opening a new account allows both the registered representative and the supervisory staff to conduct the necessary review to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives. Maintaining accurate and current documentation will allow the registered representative and the supervisory staff to ensure that all recommendations made for any account are appropriate for the client and in keeping with the client's investment objectives.

"Know-Your-Client" procedures must also be directed at meeting a Dealer Member's gatekeeper obligations by identifying clients that present a high risk to the Dealer Member or a high risk of conducting improper activities in the securities markets. The procedures must also meet the requirements of anti-money laundering and terrorist financing legislation and regulations.

A. Documentation

~~1. A New Account Application Form (NAAF) must be completed for each new account. Such forms shall be duly completed to conform with the "Know-Your-Client" rule.~~

1. A Dealer Member must complete an account application for each new customer that conforms to the account information requirements of this Policy.

2. ~~The new account must be approved by the branch manager or the designated director, partner or officer, prior to the initial trade or promptly thereafter (next day). A NAAF must not be approved by the branch manager or the designated director, partner or officer until it is complete. 'Complete~~A Supervisor authorized in the Dealer Member's policies and procedures to do so must approve a fully completed new account application no later than the business day after the initial trade. 'Fully completed' means that all information necessary to assess suitability~~ and,~~ creditworthiness and risk has been obtained ~~(and~~but does not mean that the client must have signed the ~~NAAF~~application if the Dealer Member requires that the client ~~sign the NAAF)~~do so. Alternate procedures for securing interim approval ~~will be~~are acceptable to prevent undue delays provided the ~~branch manager~~Supervisor applies prompt final approval following the initial trade. If an account application received after the initial trade is not fully completed, a Dealer Member must restrict the account to liquidating trades only until a fully completed application has been approved.

3. Where the ~~client~~customer is an employee or agent of another registered dealer, a Dealer Member must obtain written approval ~~by~~of the customer's employer ~~to open an account must be obtained prior to the~~or principal before opening ~~of such an~~the account. ~~Such~~A Dealer Member must designate such accounts~~ must be designated~~ as non-client accounts.

4. A Dealer Member must maintain a complete set of documentation ~~must be maintained by the Dealer Member and registered representatives~~regarding each account. The Registered Representative(s) handling an account must maintain a copy of the ~~NAAF~~account application. A Dealer Member can meet this requirement by maintaining the information on the application in an electronic application accessible to the Registered Representative.

5. The ~~registered representative~~Registered Representative must update the ~~NAAF~~information on the application where there is a material change in client information. ~~Such~~The update must be approved in the manner provided in ~~paragraph (2)~~subsection A.2. A Dealer Member must restrict the access of Registered Representatives and other persons to its electronic systems for maintaining know-your-client information so that material information cannot be changed without the required approval. A Dealer Member must have procedures independent of the Registered Representative for verifying material changes to customer information, such as changes of address, financial situation, investment objectives or risk tolerance.

6. When there is a change of ~~registered representative~~Registered Representative, the new ~~registered representative~~Registered Representative must verify the account information ~~on the NAAF~~ to ensure it is current. ~~There should be a signed acknowledgment by the new RR and branch manager that the NAAF~~A Dealer Member must have a procedure for recording that the new Registered Representative has reviewed the customer information and that the appropriate Supervisor is satisfied that it has been reviewed and has approved any material changes. It is acceptable ~~to make~~for the Registered Representative to record and initial any changes on a photocopy of the ~~old NAAF (~~existing application provided that ~~the NAAF~~it was previously approved within two years of the review~~) and have the registered representative and branch manager initial any changes~~.

7. ~~Account numbers must not be assigned unless they are accompanied by~~A Dealer Member must not assign an account number for a new customer unless it has the proper name and address of the ~~client and such name and address must be supported by the NAAF no later than the following day~~customer.

B. Pending Documents

1. A Dealer ~~Members~~Member must have procedures in place to ensure supporting documents are received within a reasonable period of time of opening the account.

~~2. Incomplete NAAFs and documentation not received must be noted, filed in a pending documentation file and be reviewed on a periodic basis.~~

2. A Dealer Member must have systems or procedures to prevent:

- Trading on margin until the customer entered into a margin agreement with the customer as described in Rule 200.1(i)(2)

- Trading in futures contracts or futures contract options until the customer has entered into a futures contracts or futures contract options trading agreement with the customer as described in Rule 1800.2(b)

- Trading in options until the customer has entered into an options trading agreement with the customer as described in Rule 1900.2(b)

3. ~~Failure~~A Dealer Member must have a system for recording pending account documentation and following up where it is not received in a reasonable time.

4. A Dealer Member must take positive action specified in its policies and procedures to obtain required documentation not obtained within 25 ~~clearing days must result in positive actions being taken. The nature of the positive action must be specified in the Dealer Member's written procedures~~business days of the opening of the account.

~~**C. Client Master Files**~~

C. Other Requirements

1. ~~Entering and amending client master files must be controlled and accompanied by proper documentation. 2.~~ All hold mail must be authorized by the client in writing and be controlled, reviewed on a regular basis and maintained by the responsible ~~supervisor~~Supervisor.

~~3.~~ 2. Returned mail ~~is to~~must be properly investigated and controlled by a person who is independent of the sales function ~~although such person~~but may be located within a branch.

~~4.~~ 3. For supervisory purposes, "non-client" accounts, RRSP accounts, managed accounts, discretionary accounts and restricted accounts must be readily identifiable.

III. ~~Branch Office~~ Account Supervision Generally

Introduction

~~Each branch manager must undertake certain activities within the branch for purposes of assessing compliance with regulatory requirements and the Dealer Member's policies. These activities should be designed to identify failures to adhere to required policy and procedure and provide a means of revealing and addressing undesirable account activity.~~

Rule 38.1 requires a Dealer Member to implement systems of supervision and control to ensure that is reasonably designed to achieve compliance with the Rules and Rulings of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business. This section provides guidance on the means used by Dealer Members to meet that requirement with respect to retail customer accounts.

A. Supervisory Structure

1. In maintaining a supervisory structure and appointing Supervisors, a Dealer Member must take into consideration all factors necessary to ensure the adequacy of the supervision, including the products traded, type of trading, location of business and other functions of Supervisors.

2. Where the Dealer Member conducts retail business in business locations outside its Head Office, it should consider the following:

   - A resident supervisor is in the best position to know the Registered Representatives in the office, know or meet many of the clients, understand local conditions and needs, facilitate business through the timely approval of new accounts and respond immediately to questions or problems. However, a Dealer Member may determine to what extent a resident supervisor is necessary, considering factors such as:

     - The number of Registered Representatives in the location
     - The experience of Registered Representatives in the location
     - The nature of the business conducting in the location
     - The availability of a Supervisor or Supervisors in nearby locations
     - Other systems and controls mitigating the risk of remote supervision

   - Where a business location does not have a Supervisor working in the office, it must have an outside Supervisor assigned to it. A Dealer Member's policies and procedures and the instructions to the outside Supervisor must include provision for periodic visits to the location by the Supervisor as necessary to ensure that business is being conducted properly at the location.

3. While it is not always possible in a very small firm, a Dealer Member should ensure independent supervision of all retail accounts. A Supervisor's advice and trades for his or her own clients should be supervised by another Supervisor.

4. A Dealer Member must ensure that a Supervisor who advises and trades for his or her own clients devotes sufficient time and attention to his or her supervisory role.

5. A Dealer Member must ensure that Supervisors are qualified to supervise trading activity in all products traded by those under his or her supervision and any other services that they provide to retain customers. Where the Supervisor is not so qualified, the Dealer Member may divide the supervision between two or more Supervisors, but must ensure that there are appropriate mechanisms for them to communicate with one another, that the system ensures that the Dealer Member maintains an overall view of the client's situation and activity and that the assignment of responsibilities is clear and complete. One acceptable mechanism for doing so is the appointment of a primary Supervisor to whom the other Supervisor(s) provide advice with regard to the activity in the products or services the primary Supervisor is not qualified to supervise.

6. A Dealer Member's supervisory system must provide Supervisors with the information necessary to properly conduct their supervision. For account reviews this includes readily accessible client information and full information about account activity including relevant non-trade activity such as receipts, deliveries, deposits, withdrawals and journal entries.

7. A Dealer Member's supervisory system must provide for back-up during the absence of responsible Supervisors. For any prolonged absence of a Supervisor, the back-up Supervisor should be advised as necessary of any ongoing issues or concerns as necessary to provide proper supervision.

8. A Dealer Member must have systems of supervision and review to ensure that Supervisors are properly fulfilling their supervisory functions. This requirement can be met by a two-tiered system of first and second level reviews as described in this policy.

9. A Supervisor must have sufficient authority to take effective and timely remedial action where account activity or any other matter under his or her supervision falls or appears to fall outside the bounds of proper conduct, just and equitable principles of trade or good business practice. Escalation for a decision by a more senior Supervisor or Executive will be considered an acceptable form of action.

B. Supervision of Account Activity

A Dealer Member must have systems and procedures to supervise trading activity in retail accounts. The supervision must provide reasonable assurance that the Dealer Member is meeting its regulatory obligations, including those to clients such as suitability and gatekeeper obligations such as preventing market abuses. The following principles should be taken into consideration:

1. Reviews may be conducted on a pre-trade or post-trade basis. A properly crafted pre-trade review process may obviate or lessen the need for post-trade reviews.

2. Review procedures must cover all accounts. Where a Dealer Member offers both commission and fee-based accounts, it cannot select accounts for review solely on the basis of commission levels; it must also have a procedure for selecting fee-based accounts for review.

3. Reviews procedures must be able to identify patterns of activity that are not apparent by reviewing trades singly. For example, a review of trading over a longer period may raise questions about the overall level of activity even though each trade, looked at singly, appears to be suitable for the client.

4. Reviews must encompass non-trade issues such as late payment, margin problems, trade cancellations or transfers and flows of funds or securities that might be suspicious of money laundering.

5. The selection of activity for post-trade review may be done using a risk-based approach reasonably designed to detect improper activity. A risk-based approach can be used to determine the period of activity to be reviewed. For example, in some cases it may be appropriate to conduct longer-term reviews of monthly activity; in others they may consider shorter or longer periods.

6. Reviews must take into consideration, and reviewers must have access to, information about customers that may reasonably be assessed as presenting a higher risk of improper market activity such as those known by the Dealer Member to have access to material non-public information about issuers, holders of control blocks of public issuers and market professionals.

7. All account activity of employees and agents should be subject to review.

8. Reviews must be done on a timely basis, as established in the Dealer Member's policies and procedures. The timing should be reasonably designed to identify as early as possible matters requiring supervisory attention.

9. It is acceptable to use computer analysis to assist in selecting activity to be reviewed.

IV. Two-Tier Reviews

In a Dealer Member with multiple business locations conducting retail account activity, a two-tier system of post-trade activity reviews as described in this section is an acceptable structure.

The first level review will normally be conducted by a Supervisor at each business location having a resident supervisor. Such reviews may also be carried out on a regional basis or at a Dealer Member's head office provided that the systems and resources to conduct the review are available at the regional or head office and that the Dealer Member has adequate systems and procedures for dealing with any issues identified.

The second-tier review will normally be conducted at the Dealer Member's Head Office, but may also be done regionally. The second level of supervision is generally not at the same depth as first level supervision. It should and be reasonably designed to

identify serious account problems, including all those listed regarding first level reviews, that may have been missed by the first level supervision and ensure that first level supervision is being adequately conducted.

Where second level reviews are conducted by personnel or a department responsible only for monitoring activity, the Dealer Member should have procedures for referring issues that cannot be resolved with first level Supervisors to a higher level Supervisor who has the authority to resolve them.

A. First-Tier Daily Reviews

1. The branch manager (or designate) mustA first-tier review examines the previous day's trading using any convenient means. This review is undertakenmeans described in the Dealer Member's procedures to attempt to detect the following:

lack of suitability;

- unsuitable trading;
- undue concentration of securities in a single account or across accounts;
- excessive trade activity;
- trading in restricted securities;
- conflict of interest between registered representative and client trading activity;
- excessive trade transfers, trade cancellations etc. indicating possible unauthorized trading;
- inappropriate / high risk trading strategies;
- quality downgrading of client holdings;
- excessive / improper crosses of securities between clients;
- improper employee trading;
- front running;
- account number changes;
- late payment;
- outstanding margin calls;
- violation of any internal trading restrictions.

2. In addition to transactional activity, branch managers must also keep themselves informed as to other client related matters such as:

client complaints; cash account violations ;

- undisclosed short sales;
- transfers of funds and securities between unrelated accounts or between pro and client accounts or deposits from pro to client accounts
- manipulative or deceptive trading under margin.;
- insider trading.

B. First-Tier Monthly Reviews

1. ~~Client and branch personnel~~A first-tier monthly ~~statements must be reviewed on a monthly basis and~~review should encompass the areas of concern as ~~discussed in the~~described in subsection IV.A for daily activity ~~review~~reviews.

2. It ~~is recognized that it~~ may not be possible to review each statement produced. ~~However, branch managers must review all monthly statements which produce~~A first-tier monthly review starts with the selection, on a basis reasonably designed to detect improper account activity, of retail client accounts to be reviewed. A Dealer Member can meet this obligation by reviewing the activity of all customers charged gross commissions of $1,500 or more for the month.

~~3. All non-client accounts generating a statement must be reviewed on a monthly basis.~~

3. A first-tier monthly review should include all non-client accounts showing any activity other than receipt of dividends or interest or payment of interest.

4. This review should be completed within 21 days of the period covered ~~by the statement~~ unless precluded by unusual circumstances.

~~**IV. Head Office Account Supervision**~~

~~**Introduction**~~

~~A two-tier structure is required to adequately supervise client account activity. While the head office or regional area level of supervision by its nature cannot be in the same depth as branch level supervision, it should cover all the same elements.~~

~~**A. Daily Reviews**~~

C. Second-Tier Daily Reviews

1. ~~The criteria to be used to conduct daily head office~~Daily reviews ~~are~~should cover the following:

   - trades meeting criteria established in the Dealer Member's policies and procedures. For this purpose, the following meet the requirement:
     - stock trades with a value over $5,000 and a price under $5.00 per share;
     - stock trades with value over $20,000 and a price at or over $5.00 per share;
     - bond trades over $100,000 value per trade;
   - non-client trading;
   - client accounts of producing branch managers;
   - all client accounts not reviewed by a branch manager;
   - trade cancellations;
   - trading in restricted accounts;
   - trading in suspense accounts;
   - account number changes;
   - late payment;
   - outstanding margin calls.

2. Daily reviews should be completed ~~within a day~~no later than the business day following the activity unless precluded by unusual circumstances.

~~B~~D. Second-Tier Monthly Reviews

1. ~~The criteria to be used to conduct monthly head office reviews are, among other things,~~A Dealer Member must select accounts for second-tier review based on criteria established in its policies and procedures. This requirement can be met using the following criteria:

   - ~~clients' statements which generated~~accounts of customers charged more than $3,000 in commission during the month;

   - ~~where a branch manager is unable to conduct a review, all client and non-client accounts not reviewed by such branch manager which generated~~accounts of, all customers and non-clients charged more than $1,500 in commission during the month~~. This includes the~~ that were not subject to a first level review by the normal first level Supervisor, including the customer accounts of producing ~~branch managers~~first-tier Supervisors.

2. ~~Concentration of securities must be reviewed.~~

   ~~3. For all reviews evidence should be kept of inquiries, responses and actions.~~4. Monthly reviews should be completed within 21 business days of the period covered ~~by the statement~~ unless precluded by unusual circumstances.

E. Other Activity

In addition to transactional activity, a Dealer Member must have systems and procedures designed to identify, deal with and keep first level Supervisors informed about other client related matters such as:

- client complaints;
- cash account violations;
- transfers of funds and securities between unrelated accounts or between pro and client accounts or deposits from pro to client accounts;
- trading while under margin.

V. Option Account Supervision

Introduction

~~Each~~A Dealer Member dealing in options or Exchange traded commodity or index warrants must ~~have an approved designated registered options principal (DROP) with~~appoint a Supervisor (the "Designated Options Supervisor") qualified to supervise options trading to have overall responsibility for the opening of new option accounts and the supervision of account activity. The Designated Options Supervisor must ensure that the Dealer Member implements policies and procedures reasonably designed to ensure that all recommendations made for any account are and continue to be appropriate for the ~~client~~customer and in keeping with his~~/~~ or her investment objectives. In addition, ~~there should be an alternate registered options principal (AROP)~~a Dealer Member should, where the level of options trading activity warrants it, have a qualified Supervisor to assist in supervisory activities and to carry out the functions of the ~~DROP~~Designated Options Supervisor in his~~/~~ or her absence. All supervisory ~~reviews~~procedures regarding options must be conducted by options qualified ~~personnel. Any branch trading in options must have a branch manager who is options qualified~~Supervisors.

A. Account Opening and Approval

1. The option trading agreement and option account ~~approval form~~application must be completed~~, signed and on hand prior to~~ and the client's agreement recorded before the first trade. This applies to new accounts or existing accounts approved for other products.

2. The option trading agreement contents must meet or exceed Corporation requirements.

   ~~3. All accounts must be approved in writing by the option qualified branch manager or the DROP or the AROP.~~

3. The Designated Options Supervisor or another options qualified Supervisor must approve all accounts to trade in options and their approval and the date of approval must be recorded.

4. The approving Supervisor must determine whether the risk characteristics of the strategies the customer intends to use are appropriate for the customer and in keeping with his or her investment objectives and risk tolerance. If they are not, the approving Supervisor should restrict the account from using inappropriate strategies and note with the option account approval ~~form must indicate~~ any trading restrictions imposed. The Supervisor must ensure that the Registered Representative handling the account is aware of any restrictions.

B. ~~Daily~~Activity Reviews

1. ~~Branch offices must review all~~A Dealer Member's supervisory procedures must include reviews of option ~~daily~~ trading activity for suitability, exceeding position or exercise limits, concentration, commission activity, and exposure of uncovered positions.

2. A two-tier post-trade review system using the following criteria is not mandatory but will be deemed to meet the review requirement:

- Daily first-tier review of all option trading activity;

- ~~2. Head office must~~Daily second-tier review ~~on a daily basis all~~of opening option trading activity in excess of ten contracts in any one account~~. In all options accounts, Head Office must monitor all trading to ensure that positions or exercise limits are not exceeded~~.

C. Monthly Reviews

~~1. Branch offices must review on a monthly basis all option activity based on the same criteria as for regular equity trading activity.~~

~~2. Head office must review on a monthly basis all option activity based on the same criteria as for regular equity trading activity.~~

~~**D. DROP Responsibilities**~~

~~1. All discretionary and managed accounts must be reviewed by the DROP on a daily and monthly basis.~~

Accounts must be selected for monthly first- and second-tier reviews of account using criteria reasonably designed to detect improper activity. For accounts that trade in equities and fixed income products as well as options, it may be appropriate to use the criteria described in Section IV.D. For accounts in which the trading is more concentrated in options, the criteria should take into account the risks related to the type of strategies being used.

D. Other Options Policies and Procedures

A Dealer Member's policies and procedures must include, where applicable:

1. The Designated Options Supervisor's involvement in the approval and daily and monthly reviews of any discretionary managed accounts trading in options The Designated Options Supervisor need not conduct such reviews but should be aware of the use of options in discretionary or managed accounts and exercise heightened care to ensure that it is conducted and supervised properly.

2. ~~The DROP must establish procedures~~Procedures to ensure clients are notified of impending expiry dates.

3. ~~The DROP must establish procedures ensuring~~Procedures to ensure the dissemination of information on new developments in the trading and regulation of options ~~contracts~~ in a prudent and appropriate manner; and the dissemination to all clients of any changes in a firm's business policy.

~~4. The DROP must ensure that only registered individuals engage in trading or advising in respect of options.~~

~~5. All advertising and market letters to more than 10 clients relating to options, must be approved by the DROP.~~

~~6. Solicitation of clients to use option programmes must have DROP approval.~~

4. Procedures for notifying clients of significant changes in options contracts in which they have open positions resulting from changes to the underlying security.

5. Procedures to ensure that only qualified Registered Representatives or Investment Representatives engage in trading in or advising on options and that they do so only after the Corporation has been notified as required in Rule 18.

6. Procedures to review and approve advertising and sales literature relating to options. The Designated Options Supervisor need not conduct such reviews but should be aware of the use of advertising or sales literature and exercise heightened care to ensure that it is prepared and supervised properly.

7. Procedures requiring the review and approval of the use of and solicitation of clients to use option programmes.

VI. Future/ and Futures Options Account Supervision

Introduction

EachA Dealer Member dealing in futures must have an approved designated registered futures principal (DRFP) withcontracts and futures contract options must designate a Supervisor qualified to supervise futures contract and futures contract options trading (the "Designated Futures Supervisor") to have overall responsibility for the opening of new futures and futures options accounts and the supervision of account activity. In addition, there should be an alternate registered futures principal (ARFP) The Designated Futures Supervisor must ensure that the Dealer Member implements policies and procedures reasonably designed to ensure that all recommendations made for any account are and continue to be appropriate for the client and in keeping with his or her investment objectives. In addition, a Dealer Member should, where the level of futures and futures options trading activity warrants it, have a qualified Supervisor to assist in supervisory activities and to carry out the functions of the DRFP in his/her absence. The DRFP must ensure that only registered individuals engage in trading or advising in respect to futures and that all recommendations made for any account are and continue to be appropriate for the client and in keeping with his/her investment objectives. These minimum standards also apply to futures contract options and the designated registered futures options principal (DRFOP)Designated Futures Supervisor in his or her absence. All supervisory procedures regarding futures and futures options must be conducted by futures and futures options qualified Supervisors.

A. Account Opening and Approval

1. All accounts must be approved by a branch manager qualified as a futures contract supervisor, DRFP or ARFP prior to trading.

2. All clients must acknowledge in writing receipt of the information statement and summary disclosure statement prior to trading.

1. The futures trading agreement or letter of undertaking under Rule 1800.2(b) and futures account application must be completed, and the client's agreement recorded, before the first trade. This applies to new accounts or existing accounts approved for other products.

2. The Designated Futures Supervisor or another futures qualified Supervisor must approve all accounts and their approval and the date of approval must be recorded before any trading.

3. All clients must sign a futures contract trading agreement or letter of undertaking prior to trading.4. Before granting approval to a client as a hedger procedures must be present forThe Supervisor approving the opening of a hedging account must ensure that the Dealer Member has reliable evidence establishing acceptability of a client as a hedger including use of. Such evidence can take the form of a hedge letter or statement andsupported by verification procedures.

4. The approving Supervisor must determine whether the risk characteristics of the futures contracts or futures contract options and strategies the customer intends to use are appropriate for the customer and in keeping with his or her investment objectives and risk tolerance. If they are not, the approving Supervisor should restrict the account from using inappropriate contracts or strategies and record with the futures account approval any trading restrictions imposed. The approving Supervisor must ensure that the Registered Representative handling the account is aware of any restrictions.

5. Any trading restrictions which apply to the account must be written on the new client account form.

5. A Dealer Member's futures account application or futures account agreement must include, other than for a hedging account, a risk limit for futures trading indicating the maximum amount of cumulative loss the client can afford to sustain. The maximum loss can be stated on a lifetime basis or on an annual basis. If the loss limit is stated on an annual basis, the Dealer Member must have a procedure to update it annually and the Designated Futures Supervisor or a Supervisor qualified to supervise futures must review and approve the updated loss limit and ensure that it takes into account any previously accumulated losses.

B. Supervision

~~1. Daily Reviews~~

A Dealer ~~Members must conduct daily reviews of all futures and futures options trading activity. This review is undertaken to attempt to detect~~Member's supervisory procedures must be reasonably designed to detect improper activity such as the following:

- excessive day trading resulting in trading large numbers of contracts;
- trading while under margin;
- trading ~~futures options~~ without approval of the account;
- trading beyond margin or credit limits;
- cumulative losses exceeding ~~stated risk capital (the aggregate of cumulative profits and cumulative losses)~~risk limits;
- ~~suitability;~~
- unsuitable trading;
- inappropriate trading strategies;
- position and exercise limits;
- front running;
- conflicts of interest;
- excessive commission activity;
- ~~all guaranteed accounts.~~

~~2. Monthly Reviews~~

~~Dealer Members must conduct monthly reviews for futures and futures options trading activity. For example, a Dealer Member must review for:~~

- speculative trading in hedge accounts;
- ~~cumulative losses exceeding stated risk capital (the aggregate of cumulative profits and cumulative losses);~~
- ~~trading beyond approved limits;~~
- ~~continual awareness of pending delivery months;~~
- ~~acceptability of a client as hedger;~~
- ~~all guaranteed accounts.~~

~~**C. Discretionary Accounts**~~

- exposure to delivery through holding contracts into delivery month;
- excessive risk or loss to account guarantors.

C. Other Futures Policies and Procedures

A Dealer Member's policies and procedures must include where applicable:

1. ~~Futures discretionary accounts must meet all the requirements for equity discretionary accounts. In addition to the requirements for equity discretionary accounts a DRFP must conduct the following additional activities for futures and~~The Designated Futures Supervisor's involvement in the approval and daily and monthly reviews of discretionary or managed futures or futures options accounts. The Designated Futures Supervisor should approve any use of discretionary authority in a futures account.

2. ~~Discretionary authority must be accepted in writing by DRFP.3. DRFP must~~A monthly review ~~monthly~~of the financial performance of each ~~account~~discretionary account by the Designated Futures Supervisor or a Supervisor qualified in futures contracts acting under the Designated Futures Supervisor's supervision.

3. Procedures to ensure that positions with pending delivery months are handled properly.

4. Procedures to ensure the dissemination of information on new developments in the trading and regulation of futures contracts, such as changes in minimum margin requirements, in a prudent and appropriate manner; and the dissemination to all clients of any changes in a firm's business policy.

5. Procedures to ensure that only qualified Registered Representatives engage in trading in or advising on futures contracts or futures contracts options and that they do so only after the Corporation has been notified as required in Rule 18.

6. Procedures to review and approve sales literature or advertising relating to futures The Designated Futures Supervisor need not conduct such reviews but should be aware of the use of futures advertising or sales literature and exercise heightened care to ensure that it is prepared and supervised properly.

7. Procedures requiring the review and approval of the use and solicitation of clients to use futures programmes.

VII. Discretionary ~~and Managed~~ Account Supervision

Introduction

Simple discretionary accounts are accounts where the discretionary authority has not been solicited and which are designed to accommodate customers who are frequently or temporarily unavailable to authorize trades.

Managed accounts are investment portfolios solicited for discretionary management on a continuing basis where the Dealer Member has held itself out as having special skills or abilities in the management of investment portfolios.

~~The~~A Dealer Member must consent to accepting discretionary accounts and have the proper documentation and supervisory procedures in place to handle such accounts~~. A policy under which discretionary accounts are handled must be developed by the Dealer Member and distributed to all approved persons~~.

~~**A. Simple Discretionary Accounts**~~

~~1. Request for discretion must be approved in writing by a partner, director or officer (note: officer approval allowed only for Corporation and CDNX Members) appointed as the designated person.~~

A. Account Approval

1. The designated Supervisor under Rule 1300.4(a) must approve any request for discretion.

2. ~~A~~The Dealer Member and customer must enter into a discretionary account agreement ~~must be signed by the client and the Dealer Member and must include~~that includes any restrictions to the trading ~~authorizations which must be agreed to by the partner, director or officer~~authorization. The Supervisor designated under Rule 1300.4(a) must approve the agreement.

~~3. No approved person may exercise discretionary authority over a client unless the account is maintained with the employer of the approved person.~~

3. The Dealer Member must identify discretionary accounts in its books and records in a manger that ensure that the Dealer Member can properly supervise them.

B. Entry of Orders

1. ~~All orders for discretionary accounts handled by registered representatives must be approved by a partner, director, branch manager or officer (if the officer is a designated person)~~A Supervisor must approve any discretionary order for a discretionary account handled by a Registered Representative prior to the order being entered unless:

   - the Registered Representative is qualified to provide discretionary management services and the Dealer Member has notified the Corporation that he or she provides those services, or

   - the Registered Representative is also an approved Executive.

2. ~~If~~A discretionary account may not hold any publicly traded securities of the Dealer Member~~,~~ or ~~that of~~ its affiliates~~, are publicly traded no discretionary account may hold those securities~~.

C. Account Supervision

1. ~~Discretionary client account reviews must include all discretionary accounts handled by registered representatives, branch managers, partners, directors and officers~~The Supervisor designated under Rule 1300.4(a) must review discretionary orders entered by an Executive no later than next day unless the Executive is also a Registered Representative qualified to provide discretionary management services and the Dealer Member has notified the Corporation that he or she provides those services.

~~2. Persons conducting reviews must have adequate "Know-Your-Client" information readily available for each discretionary account.~~

~~3. The Dealer Member must identify in its books and records discretionary accounts to ensure that proper supervision can occur.~~

~~4. Orders initiated for client accounts by producing branch managers and partners, directors and officers must be reviewed no later than next day by head office.~~

~~**D. Termination of Agreement**~~

~~Either the client or the Dealer Member may cancel the authorization for discretion provided that it is in writing, giving an effective date which allows the client to make other arrangements. The Dealer Member must give the client 30 days notice.~~

~~**E. Managed Accounts**~~

~~1. The Dealer Member must be approved by the Corporation to handle managed accounts and comply with all the requirements which are specifically detailed in the Rules. Only qualified portfolio managers may handle managed accounts.~~

~~2. The client must sign a managed account agreement.~~

~~3. Dealer Member must accept managed accounts in writing signed by a designated partner, director, officer or branch manager. The authorization must indicate the client's investment objectives.~~

~~4. In a managed account the Dealer Member cannot without the written consent of the client:~~

~~Invest in an issuer in which the responsible person is an officer or director. No such investment may be made unless such office or directorship has been disclosed to the client;~~

~~Invest in a security which is being bought or sold from a responsible person's account to a managed account;~~

~~Make a loan to a responsible person or to an associate.~~

~~5. The Dealer Member must receive and acknowledge in writing cancellation by the client. The Dealer Member may terminate the arrangement in writing provided that it is not earlier than 30 days from the time of mailing.~~

VIII. Client Complaints

1. Each Dealer Member must establish procedures to deal effectively with client complaints.

   (a) The Dealer Member must acknowledge all written client complaints.

   (b) The Dealer Member must convey the results of its investigation of a client complaint to the client in due course.

   (c) Client complaints involving the sales practices of a Dealer Member, its partners, directors, officers or employees must be in writing and signed by the client and then handled by sales supervisors or compliance staff. Copies of all such written submissions must be filed with the compliance department of the Dealer Member.

   (d) Each Dealer Member must ensure that registered representatives and their supervisors are made aware of all complaints filed by their clients.

2. All pending legal actions must be made known to head office.

3. Each Dealer Member must put procedures in place so that senior management is made aware of complaints of serious misconduct and of all legal actions.

4. Each Dealer Member must maintain an orderly record of complaints together with follow-up documentation for regular internal/external compliance reviews. This record must cover the past two years at least.

5. Each Dealer Member must establish procedures to ensure that breaches of the by-laws, regulations, rules and policies of the SROs as well as applicable securities legislation are subjected to appropriate internal disciplinary procedures.

6. When a Dealer Member finds complaints to be a significant factor, internal procedures and practices should be reviewed, with recommendations for changes to be submitted to the appropriate management level.

RULE 2700

MINIMUM STANDARDS FOR INSTITUTIONAL ACCOUNT OPENING, OPERATION AND SUPERVISION

Introduction

This Rule covers the opening, operation and supervision of institutional accounts, which are accounts for investors that are not individuals who meet the requirements of the definition herein.

This document sets out minimum standards governing the opening, operation and supervision of institutional accounts.

Pursuant to ~~Rules 29.27 and~~Rule 38, the Dealer Member must provide adequate resources and qualified supervisors to achieve compliance with these standards.

Adherence to the minimum standards requires that a Dealer Member have in place procedures to properly open and operate institutional accounts and monitor their activity. Following these minimum standards, however, does not:

(a) relieve a Dealer Member from complying with specific SRO by-laws, rules, regulations and policies and securities or other legislation applicable to particular trades or accounts; (e.g. best execution obligation, restrictions on short selling, order designations and identifiers, exposure of customer orders, trade disclosures);

(b) relieve a Dealer Member from the obligation to impose higher standards where circumstances clearly dictate the necessity to do so to ensure proper supervision; or

(c) preclude a Dealer Member from establishing higher standards.

Any account which is not an institutional account governed by these standards will be governed by the Minimum Standards for Retail Account Supervision (Rule 2500).

A Dealer Member may, with the written approval of the Corporation, establish policies and procedures that differ from this Rule, provided that, in the opinion of the Corporation, the Dealer Member's policies and procedures are appropriate to supervise trading of its institutional customers.

I. ~~Account Opening~~

~~A. Definition of an Institutional Customer~~

~~For the purposes of this Rule, the following are defined as institutional customers:~~

~~1. Acceptable Counterparties (as defined in Form 1);~~

~~2. Acceptable Institutions (as defined in Form 1);~~

~~3. Regulated entities (as defined in Form 1);~~

~~4. Registrants (other than individual registrants) under securities legislation;~~

~~5. A non individual with total securities under administration or management exceeding $10 million.~~**B. Customer Suitability**

1. When dealing with an institutional customer, a Dealer Member must make a determination whether the customer is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed to that institutional customer. Where a Dealer Member has reasonable grounds for concluding that the institutional customer is capable of making an independent investment decision and independently evaluating the investment risk, then a Dealer Member's suitability obligation is fulfilled for that transaction. If no such reasonable grounds exist, then the Dealer Member must take steps to ensure that the institutional customer fully understands the investment product, including the potential risks.

2. In making a determination whether a customer is capable of independently evaluating investment risk and is exercising independent judgment, relevant considerations could include:

   (a) any written or oral understanding that exists between a Dealer Member and its customer regarding the customer's reliance on the Dealer Member;

(b) the presence or absence of a pattern of acceptance of the Dealer Member's recommendations;

(c) the use by a customer of ideas, suggestions, market views and information obtained from other Dealer Members, market professionals or issuers particularly those relating to the same type of securities;

(d) the use of one or more investment dealers, portfolio managers, investment counsel or other third party advisors;

(e) the general level of experience of the customer in financial markets;

(f) the specific experience of the customer with the type of instrument(s) under consideration, including the customer's ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk; and

(g) the complexity of the securities involved.

3. ~~No~~A Dealer Member has no suitability obligation ~~shall exist pursuant to~~under Section ~~B(~~I.1~~) nor~~ and is not required to make a determination required under Section ~~B(2) where a~~I.2 when the Dealer Member executes a trade on the instructions of another Dealer Member, a portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer.

4. A Dealer Member has no suitability obligation under Section I.1and is not required to make a determination required under Section I.2 when the Dealer Member executes a trade on the instructions of a "permitted client" as defined in Section 1.1(1) of National Instrument 31-103, other than an individual or a customer described in Section I.3, if the customer has waived, in writing, the protections offered to the customer under Sections I.1 and I.2

~~C~~II. New Account Documentation and Approval

~~The following documentation is required for each institutional account opening:~~

1. ~~New~~A Dealer Member must complete a new customer account form for each Institutional Customer; ~~and~~

2. ~~All documentation as required by the self-regulatory organization governing the Dealer Member.The~~A Dealer Member may establish a 'master' new account documentation file, containing full documentation and, when opening sub-accounts, it should refer to the principal or 'master' account with which it is associated.

3. Each new account must be approved by ~~the~~a Supervisor who is Department Head or his~~/~~ or her designate ~~who is a partner, director or officer,~~ prior to the initial trade or promptly thereafter. Such approval must be ~~documented~~recorded in writing or auditable electronic form.

4. The Dealer Member must exercise due diligence to ensure that the new customer account form is updated whenever the Dealer Member becomes aware that there is a material change in customer information.

~~II~~III. Establishing and Maintaining Procedures, Delegation and Education

Introduction

Effective self-regulation begins with the Dealer Member establishing and maintaining a supervisory environment which fosters both the business objectives of the Dealer Member and maintains the self-regulatory process. To that end, a Dealer Member must establish and maintain procedures which are supervised by qualified individuals.

A. Establishing Procedures

1. A Dealer ~~Members~~Member must appoint a designated ~~supervisor, who is a partner, director or officer and~~Supervisor, who has the necessary knowledge of industry regulations and Dealer Member policy to properly establish procedures reasonably designed to ensure adherence to regulatory requirements and to supervise Institutional Accounts.

2. Written policies must be established to document and communicate supervisory requirements.

3. All supervisory alternates must be advised of and adequately trained for their supervisory roles.

4. All policies established or amended should have senior management approval.

B. Maintaining Procedures

1. Evidence of supervisory reviews must be maintained for seven years and on-site for one year.

2. A periodic review of supervisory policies and procedures should be carried out by the Dealer Member to ensure they continue to be effective and reflect any material changes to the businesses involved.

C. Delegation of Procedures

1. Tasks and procedures may be delegated but not responsibility.

2. The supervisor delegating the task must take steps designed to ensure that these tasks are being performed adequately and that exceptions are brought to his/her attention.

3. Those to whom tasks are delegated must have the qualifications to perform them and should be advised in writing what is expected.

D. Education

1. The Dealer Member's current sales practices and policies must be made available to all sales and supervisory personnel. Dealer Members should obtain and record acknowledgements from all sales and supervisory personnel that they have received, read and understood the policies and procedures relevant to their responsibilities.

2. A major aspect of self-regulation is the ongoing education of staff. The Dealer Member is responsible for appropriate training of institutional sales and trading staff, as well as ensuring that Continuing Education requirements are being met.

E. Compliance Monitoring Procedures

Dealer Members must establish compliance procedures for monitoring and reporting adherence to rules, regulations, requirements, policies and procedures. A compliance monitoring system should be reasonably designed to prevent and detect violations. The compliance monitoring system will ordinarily include a procedure for reporting results of its monitoring efforts to management and, where appropriate, the board of directors or its equivalent.

~~III~~IV. Supervision of Accounts

A. Policies and Procedures

1. Dealer Members must implement policies and procedures for the supervision and review of activity in the accounts of institutional customers. Such procedures may include periodic reviews of account activity, exception reports or other means of analysis.

2. The policies and procedures may vary depending on factors including, but not limited to, the type of product, type of customer, type of activity or level of activity.

3. The policies and procedures should outline the action to be taken to deal with problems or issues identified from supervisory reviews.

B. Account Activity Detection

The supervisory procedures and the compliance monitoring procedures should be reasonably designed to detect account activity that is or may be a violation of applicable securities legislation, requirements of any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place, and would include the following:

1. Manipulative or deceptive methods of trading;

2. Trading in restricted list securities;

3. Employee or proprietary account frontrunning;

4. Exceeding position or exercise limits on derivative products; and

5. Transactions raising a suspicion of money laundering or terrorist financing activity.

~~IV~~V. Client Complaints

1. Each Dealer Member must establish procedures to deal effectively with client complaints.

   (a) The Dealer Member must acknowledge all written client complaints.

   (b) The Dealer Member must convey the results of its investigation of a client complaint to the client in due course.

   (c) Client complaints involving the sales practices of a Dealer Member, its partners, directors, officers or employees must be in writing and signed by the client and then handled by sales supervisors or compliance staff. Copies of all such written submissions must be filed with the compliance department of the Dealer Member.

   (d) Each Dealer Member must ensure that registered representatives and their supervisors are made aware of all complaints filed by their clients.

2. All pending legal actions must be made known to head office.

3. Each Dealer Member must put procedures in place so that senior management is made aware of complaints of serious misconduct and of all legal actions.

4. Each Dealer Member must maintain an orderly record of complaints together with follow-up documentation for regular internal/external compliance reviews. This record must cover the past two years at least.

5. Each Dealer Member must establish procedures to ensure that breaches of the by-laws, regulations, rules and policies of the SROs as well as applicable securities legislation are subjected to appropriate internal disciplinary procedures.

6. When a Dealer Member finds complaints to be a significant factor, internal procedures and practices should be reviewed, with recommendations for changes to be submitted to the appropriate management level.

RULE 2900

PROFICIENCY AND EDUCATION:

PART I – PROFICIENCY REQUIREMENTS

INTRODUCTION

This Part I outlines the proficiency requirements for ~~registered persons~~Approved Persons. These proficiency requirements consist of both entrance thresholds and on-going requirements.

DEFINITIONS

For the purpose of this Part I:

"Recognized Foreign Self-regulatory Organization" means a foreign self-regulatory organization which offers a reciprocal treatment to Canadian applicants and which has been approved as such by Corporation.

All courses and examinations, unless otherwise specified, are administered by ~~the Canadian Securities Institute~~CSI Global Education Inc.

A. Proficiency Requirements for ~~Registered~~Approved Persons

~~**1. Branch Managers and Sales Managers**~~

1. Supervisors

(a) The proficiency requirements for ~~a sales manager, branch manager, assistant or co branch manager under Rule 4.9 are:~~Supervisors of Approved Persons dealing with retail customers are:

(i) Two years of relevant experience~~ as a securities dealer or~~ working ~~in the office of~~for a broker or dealer in securities ~~in various positions~~ or such equivalent experience as may be acceptable to the applicable District Council;

(ii) ~~Approval as a registered representative; and~~(iii) ~~Successful~~If supervising Registered Representatives dealing with retail customers, successful completion of

A. The Branch Managers Course, and

B. The ~~Options Supervisors Course if the Dealer Member trades options with the public and~~C. ~~The~~ Effective Management Seminar within 18 months ~~of approval.~~after beginning to supervise Registered Representatives dealing with retail customers .

(iii) If supervising Investment Representatives only, successful completion of the Branch Managers Course

(iv) If supervising options trading, successful completion of The Options Supervisors Course

(v) If supervising futures contract and futures contract options, successful completion of:

A. 1. The Derivatives Fundamentals Course and the Futures Licensing Course ("FLC"), or

2. The FLC and the National Commodity Futures Examination administered by the National Association of Securities Dealers;

and

B. the Canadian Commodity Supervisors Examination.

(b) The proficiency requirements for ~~a branch manager (non-retail), assistant branch manager (non-retail) or co-branch manager (non-retail) under Rule 4.9~~Supervisors of Approved Persons dealing with institutional accounts only are:

(i) Successful completion of:

A. The Branch Managers Course, or

B. the Partners, Directors and Senior Officers ~~Qualifying Examination~~Course, and

(ii) The proficiency requirements necessary to conduct or supervise any trading activity carried on by Approved Persons ~~in the branch~~he or she supervises.

2. ~~Partners,~~ Directors and ~~Officers~~Executives

The proficiency requirements for a ~~partner, director~~Director or ~~officer~~Executive under Rule 7.3 or 7.4 are:

(a) Successful completion of the Partners, Directors and Senior Officers ~~Qualifying Examination~~Course;

(b) If also approved in a trading category, ~~retail or non-retail~~successful completion of the applicable proficiency requirements; and

(c) If supervising the handling of customer accounts, successful completion of the applicable proficiency requirements for ~~Investment Representative, Registered Representative, or Registered Representative – Options/Futures; and(c) If supervising a branch or sub-branch of a Dealer Member that is approved to trade options with the public, successful completion of the Options Supervisors Course.~~a Supervisor.

2A. Chief Financial Officers

1. The proficiency requirements for a chief financial officer pursuant to Rule ~~7.5~~38.6 are:

(a) A financial accounting designation, university degree or diploma, or equivalent work experience; and

(b) Successful completion of the Partners, Directors and Senior Officers ~~Qualifying Examination~~Course, and

(c) Successful completion of the Chief Financial Officers Qualifying Examination.

~~(d) Notwithstanding subsection (c) above, any person approved as Chief Financial Officer with a Dealer Member as of January 5, 2004, shall have until July 5, 2005 to successfully complete the Chief Financial Officer Examination in order to maintain approval as Chief Financial Officer. A person approved as acting~~2. A person approved as Acting Chief Financial Officer pursuant to Rule 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial ~~Officer~~Officers Qualifying Examination.

~~(e)~~3. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Financial Officers Qualifying Examination within 10 days of the dates specified for successful completion in ~~paragraph (d)~~section 2 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board of Directors may from time to time prescribe.

2B. Chief Compliance Officers

1. The proficiency requirements for a chief compliance officer pursuant to Rule ~~38.6~~38.7 are:

(a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination;

~~And~~

and

(b) Successful completion of the Chief Compliance Officers Qualifying Examination.

~~(c)~~2. Notwithstanding subsection 1(b) above, any person approved as Chief Compliance Officer with a Dealer Member as of October 1, 2007 shall have until April 1, 2009 to successfully complete the Chief Compliance Officers Examination in order to maintain approval as Chief Compliance Officer.

~~(d)~~3. A person approved as acting Chief Compliance Officer pursuant to Rule 38.7 shall have 90 days from the date of termination of the Chief Compliance Officer to successfully complete of the Chief Compliance Officers Qualifying Examination.

~~(e)~~4. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Compliance Officers Qualifying Examination within 10 days of the dates specified for successful completion in ~~paragraphs (c)~~sections 2 or ~~(d)~~3 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board of Directors may from time to time prescribe.

3. Registered Representatives and Investment Representatives

The proficiency requirements for a ~~registered representative or investment representative~~Registered Representative or Investment Representative under Rule 18.3 are:

(a) ~~(i)~~ Successful completion of

~~(i~~A) The Canadian Securities Course prior to commencing the training programme described in subsection (~~iii~~C),

~~(ii~~B) The Conduct and Practices Handbook Course, and

~~(iii~~C) Either

~~A. For a registered representative, except for a registered representative (non-retail),~~1. For a Registered Representative dealing with retail customers a three-month training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis, or

~~B.~~2. For an ~~investment representative~~Investment Representative, a 30-day training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis;

or

(~~b~~ii) Successful completion of the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization within three years prior to application with the Corporation;

and

(~~c) For a registered representative~~b) For a Registered Representative dealing with retail customers other than a registered representative ~~(~~dealing in mutual funds~~) or a registered representative (non-retail)~~ only, successful completion of the Wealth Management Essentials course within 30 months ~~of~~after his or her approval as a ~~registered representative~~Registered Representative.

4. Registered Representatives ~~(Mutual Funds)~~ and Investment Representatives ~~(~~Dealing only in Mutual Funds~~)~~

The proficiency requirement for a ~~registered representative (~~Registered Representative or Investment Representative dealing only in mutual funds~~) or investment representative (mutual funds)~~ under Rule 18.7 is successful completion of:

(a) The Canadian Securities Course;

(b) The Canadian Investment Funds Course administered by IFIC,

(c) The Investment Funds in Canada Course administered by the Institute of Canadian Bankers, or

(d) The Principles of Mutual Funds Investment Course administered by the Canadian Trust Institute.

5. Traders

~~5.1~~ The proficiency requirement for a Trader under Rule 500.2 is:

(a) for a Trader on the Toronto Stock Exchange or TSX Venture Exchange, the Trader Training Course, unless an exemption is granted by either exchange or its market regulation services provider.

(b) for a Trader on the Bourse de Montreal, the proficiency requirements determined to be acceptable by Bourse de Montreal.

6. Portfolio ~~Managers~~Management

6.1 The proficiency requirements for a ~~portfolio manager under Rule 1300.9~~Registered Representative providing discretionary portfolio management for managed accounts that do not trade in futures contracts are:

(a) Successful completion of

(i) The ~~Portfolio Management Techniques~~Conduct and Practices Handbook Course, and

~~A. The Professional Financial Planning Course prior to August 31, 2002, or~~

(ii) either

A. The Portfolio Management Techniques Course and The Investment Management Techniques Course, or

B. The ~~Investment Management Techniques Course, or~~(ii) ~~The~~ three levels of the Chartered Financial Analyst programme administered by the CFA Institute;

and

(b) Experience

(i) Of at least three years as ~~an associate portfolio manager,~~(ii) ~~Of at least three years as~~ a registered representative ~~and two years of experience as an associate portfolio manager, (iii) Of at least three years as~~or a research analyst for a Dealer Member ~~firm of a self-regulatory organization and two years as an associate portfolio manager, or~~,

(ii) Of at least two years ending not more than three years prior to the date of application as a registered advisor under Canadian securities legislation managing on a discretionary basis at least $5,000,000 in aggregate assets; or

(~~iv~~iii) Of at least five years ending not more than three years prior to the date of application, managing a portfolio of $5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution~~; and~~.

~~(c) For a period of not less than one year ending within the three years prior to the date of application, having had assets with an aggregate value of not less than $5,000,000 under his or her direct administration on a discretionary basis.~~

6.2 The proficiency requirements for ~~a~~Registered Representative exercising discretionary authority over managed accounts trading in futures contracts ~~portfolio manager under Rule 1300.12~~or futures contracts options are:

(a) Successful completion of

(i) The Canadian Commodity Supervisors Exam, the Futures Licensing Course ~~(FLC)~~ and the courses necessary to attain the Derivatives Market Specialist Designation; or

(ii) The Chartered Financial Analyst program administered by the CFA Institute; and

(b) Experience ending no earlier than three years prior to the date of ~~application of:~~(i)commencing to exercise discretionary authority over managed accounts of at least 5 years as an Approved Person ~~in one of the categories of futures contracts approval under Rule 1800.3, or~~

~~(ii) of at least 3 years as an Approved Person in one of the categories of futures contracts approval under Rule 1800.3 and two years as an associate futures contracts portfolio managerduring which periods the applicant shall have been~~ actively engaged in advising on ~~trades in or managing futures contracts accounts.~~and trading in futures contracts or futures contracts options for customer accounts.

~~6.3 The proficiency requirements for an associate portfolio manager under Rule1300.10 are:~~

~~(a) Successful completion of~~

~~(i) The Portfolio Management Techniques Course and~~

~~A. The Professional Financial Planning Course prior to August 31, 2002, or~~

~~B. The Investment Management Techniques Course, or~~

~~(ii) The three levels of the Chartered Financial Analyst programme administered by the CFA Institute; and~~

~~(b) Experience~~

~~(i) Of at least two years as a registered and practising registered representative, or~~

~~(ii) Of at least two years as a research analyst for a member firm of a self-regulatory organization.~~

~~6.4 The proficiency requirements for an associate futures contracts portfolio manager under Rule 1300.13 are:~~

~~(a) Successful completion of~~

~~(i) The Futures Licensing Course and the courses necessary to attain the Derivatives Market Specialist Designation; or~~

~~(ii) The Chartered Financial Analyst program administered by the CFA Institute; and~~

~~(b) Experience ending no earlier than three years prior to the date of application of at least 3 years as an Approved Person in one of the categories of futures contracts approval under Rule 1800.3, during which period the applicant shall have been actively engaged in advising on trades in futures contracts.~~

7. Commodity Futures Contracts and Options

7.1 The proficiency requirements for a ~~person~~Registered Representative or Investment Representative who deals with customers ~~with respect to~~in futures contracts or futures contract options ~~under Rule 1800.3~~ are successful completion of:

(a) The Derivatives Fundamentals Course and the Futures Licensing Course ~~(the "FLC")~~, or

(b) The ~~FLC~~Futures Licensing Course and the National Commodity Futures Examination ~~(the "NCFE")~~ administered by the Financial Industry Regulatory Authority~~; and~~

~~7.2 The proficiency requirements for a futures contract principal or alternate, futures contract options principal or alternate or branch manager authorized to supervise accounts trading in futures contracts or futures contract options are:~~

~~(a) Successful completion of the requirements of section 7.1, and(b) Successful completion of the Canadian Commodity Supervisors Examination~~.

8. Options

The proficiency requirement for ~~options under Rule 1900.3 and Rule 18.9 are~~a Registered Representative or Investment Representative who deals with customers in options is successful completion of:~~(a) The~~ the Derivatives Fundamentals Course and the Options Licensing Course~~, and (b) The Options Supervisors Course, in the case of a registered options principal or alternate~~.

B. General Exemption

~~(a) Notwithstanding this Part I, the~~1. The applicable District Council~~, pursuant to~~ may, under Rule 20.24, ~~may~~ exempt any person or class of persons from the proficiency requirements on such terms and conditions, if any, as the applicable District Council may see fit.

~~(b)~~2. The Board of Directors may prescribe a fee to be paid for any exemption application under paragraph ~~(a).~~1.

RULE 2900

PROFICIENCY AND EDUCATION:

PART II – EXAMINATION REWRITE REQUIREMENTS AND COURSE AND EXAMINATION EXEMPTIONS

INTRODUCTION

This Part II outlines the exemptions that exist from the Corporation's course and examination requirements for persons seeking to be approved in certain categories of registration. This Part II exempts applicants from the requirement to rewrite courses or examinations that they have successfully completed if they are re-entering the industry, re-registering in a category of registration or seeking initial registration within certain time periods. This Part II also provides exemptions to applicants from the requirements to initially write a course or examination if the applicant satisfies one of the specifically enumerated exemptions based on grandfathering provisions or the successful completion of other courses and examinations. In addition, this Part II sets out the basis upon which the applicable District Council may grant a discretionary exemption.

~~**DEFINITIONS**~~

~~For the purposes of this Part II:~~

~~"Approved Person" means an applicant that is approved by and registered with a self regulatory organization in a category of registration;~~

~~"Recognized Foreign Self regulatory Organization" means a foreign self regulatory organization which offers a reciprocal treatment to Canadian applicants and which has been approved as such by Corporation.~~

All courses and examinations, unless otherwise specified, are administered by ~~the Canadian Securities Institute~~CSI Global Education Inc.

~~**A. Exemptions from Rewriting**~~

A. Requirement to Rewrite Courses and Examinations

1. Current and Former Approved Persons

(a) An applicant for Approval who was previously approved in a category must complete a proficiency requirement if he or she has not been approved in the category to which the requirement applies within the three years prior to the date of application.

(b) An Applicant or Approved Person who has previously conducted a type of business must complete a proficiency required to conduct the type of business if he or she has not conducted the type of business within the past three years.

(c) Sections (a) and (b) do not apply to new or amended course requirements not required when the Approved Person or applicant for Approval was initially approved or began to conduct the type of business, provided that the applicant was not under a requirement to complete the course or examination when the applicant's approval lapsed.

2. Approval after Completion of Course

An applicant for Approval who has never been approved or conducted a type of business must rewrite a required examination or course if it was completed more than two years before the date of application.

3. The Canadian Securities Course

~~An applicant shall be exempt from rewriting~~(a) An applicant for approval who has not previously been approved in a category or conducted a type of business requiring the Canadian Securities Course who would otherwise be required to rewrite the course is exempt if the applicant has:

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; (c) Is currently seeking approval within three years of successfully~~

~~completing the Canadian Securities Course or~~ i) within two years ~~of~~prior to the date of application, successfully ~~completing~~ completed any one of the Professional Financial Planning Course, Wealth Management Techniques Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute~~;~~, or;

~~(d) is seeking re-approval within three years of successfully completing the Professional Financial Planning Course, Wealth Management Techniques Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute; or~~

~~(e) is seeking approval or re-approval within three years of successfully completing the New Entrants Course.~~ ii) within three years prior to the date of application completed the New Entrants Course or the Canadian Securities Course

(b) An applicant for approval in a category or to conduct business requiring the Canadian Securities Course who was approved in a category or conducted a type of business requiring the course and who would otherwise be required to rewrite the course is exempt if the applicant has within three years prior to the date of application successfully completed any one of the Professional Financial Planning Course, Wealth Management Techniques Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute.

~~**2. The Conduct and Practices Handbook Course**~~

~~An applicant shall be exempt from rewriting the Conduct and Practices Handbook Course if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or~~

~~(c) Is currently seeking approval within two years of successfully completing the Conduct and Practices Handbook Course.~~

~~**3. The Partners, Directors and Senior Officers Qualifying Examination**~~

~~An applicant shall be exempt from rewriting the Partners, Directors and Senior Officers Qualifying Examination if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or~~

~~(c) Is currently seeking approval within two years of successfully completing the Partners, Directors and Senior Officers Qualifying Examination.~~

~~3A.~~ 4. The Chief Financial Officers Qualifying Examination

An applicant ~~shall be exempt from rewriting~~who would otherwise be required to rewrite the Chief Financial Officers Qualifying Examination is exempt if the applicant~~:(a) is currently approved in any category other than chief financial officer and~~ has, since completing the ~~chief financial officers examination, has~~Chief Financial Officers Qualifying Examination, been working closely with and providing assistance to ~~the chief financial officer;~~ a Chief Financial Officer.

~~(b) was approved as chief financial officer with a member and is currently seeking re-approval as such within three years of the end of the last approval date;~~

~~(c) is currently seeking approval as chief financial officer within two years of successfully completing the chief financial officers examination.~~

~~4.~~5. The Derivatives Fundamentals Course

(a) An applicant ~~shall be exempt from rewriting~~for Approval or Approved Person who will be dealing with customers in futures contracts or futures contracts options and who would otherwise be required to rewrite the Derivatives Fundamentals Course is exempt if the applicant

~~(a) Was an approved person currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or(c) Is currently seeking approval within two years of successfully completing the Derivatives Fundamentals Course,~~ or Approved Person has within the past two years completed the Futures Licensing Course~~, Options Licensing course,~~ or the Canadian Commodity Supervisors Examination~~;~~.

~~5. The Options Licensing Course~~

(b) An applicant ~~shall be exempt from rewriting the Options Licensing Course~~for Approval or Approved Person who will be dealing with customers in options and who would otherwise be required to rewrite the Derivatives Fundamentals Course is exempt if the applicant

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing; (b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or(c) Is currently seeking approval within two years of successfully completing~~ or Approved Person has within the past two years completed the Options Licensing Course.

6. ~~The Options Supervisors Course~~

~~An applicant shall be exempt from rewriting the Options Supervisors Course if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or~~

~~(c) Is currently seeking approval within two years of successfully completing the Options Supervisors Course.~~**~~7.~~ ~~The Futures Licensing Course~~**

~~An applicant shall be exempt from rewriting the Futures Licensing Course if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or~~

~~(c) Is currently seeking approval within two years of successfully completing the Futures Licensing Course or Canadian Commodity Supervisors Examination; or~~

~~(d) Is seeking re-approval within three years of successfully completing the Canadian Commodity Supervisors Examination.~~

~~8. The Canadian Commodity Supervisors Examination~~

~~An applicant shall be exempt from rewriting the Canadian Commodity Supervisors Examination if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or~~

~~(c) Is currently seeking approval within two years of successfully completing the Canadian Commodity Supervisors Examination.~~

~~**9. The Branch Managers Course**~~

~~An applicant shall be exempt from rewriting the Branch Managers Course if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or~~

~~(c) Is currently seeking approval within two years of successfully completing the Branch Managers Course.~~

~~**10. The wealth management essentials course**~~

An applicant for Approval or Approved Person who will be dealing with customers in futures contracts or futures contracts options and who would otherwise be required to rewrite the Futures Licensing Course is exempt if the applicant or Approved Person has within the past two years completed the Canadian Commodity Supervisors Examination.

7. The Wealth Management Essentials course

An applicant ~~shall be exempt from rewriting~~who would otherwise be required to rewrite the Wealth Management Essentials Course ~~if the applicant~~

~~(a) Was registered or approved in any trading capacity, including registration or approval restricted to mutual funds but excluding approval as a Trader (Bourse de Montreal), Trader (TSX), or Trade (TSX VN) and is currently seeking to re-enter the industry within three years of the registration or approval lapsing;~~

~~(b) Is currently registered or approved in any trading capacity, including registration or approval restricted to mutual funds but excluding approval as a Trader (Bourse de Montreal), Trader (TSX), or Trader (TSX VN) and is seeking registration in another category;~~~~(c)Is~~is exempt if the applicant is currently seeking approval within two years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course, or the Wealth Management Techniques Course~~; or~~.

~~(d) Is seeking re-approval within three years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course or the Wealth Management Techniques Course.~~

~~**11. Repealed.**~~

~~**12. The Canadian Investment Funds Course**~~

~~An applicant shall be exempt from rewriting the Canadian Investment Funds Course administered by IFIC if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or~~

~~(c) Is currently seeking approval within two years of successfully completing the Canadian Investment Funds Course.~~

~~**13. The Investment Funds in Canada Course**~~

~~An applicant shall be exempt from rewriting the Investment Funds in Canada Course administered by the Institute of Canadian Bankers if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or~~

~~(c) Is currently seeking approval within two years of successfully completing the Investment Funds in Canada Course.~~

~~**14. The Principles of Mutual Funds Investment Course**~~

~~An applicant shall be exempt from rewriting the Principles of Mutual Funds Investment Course administered by the Canadian Trust Institute if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;~~

~~(b) an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or~~

~~(c) Is currently seeking approval within two years of successfully completing the Principles of Mutual Funds Investment Course.~~

8. 30-Day Training Program

An applicant is exempt from re-doing the 30-day training program required under Rule 2900 Part 1, section 3(a)(iii) B if, within three years prior to application, the applicant was approved for trading for retail clients in securities with a Dealer Member or by a recognized foreign regulatory authority or self regulatory organization or a Canadian securities regulatory authority.

9. 90-Day Training Program

An applicant is exempt from re-doing the 90-day training program required under Rule 2900 Part 1, section 3(a)(iii) A if, within three years prior to application, the applicant was approved for trading and advising retail clients in securities with a Dealer Member or by a recognized foreign regulatory authority or self regulatory organization or a Canadian securities regulatory authority.

B. Exemptions from Writing

1. Current and Former Approved Persons

(a) An Approved Person is exempt from completing a new or amended proficiency requirement not in place at the time he or she was approved in a category unless the rule setting the requirement specifically provides otherwise.

(b) An applicant for approval who was an Approved Person is exempt from completing a new or amended proficiency requirement not in place at the time of the applicant's previous approval in the same category for three years after the applicant's previous approval lapsed unless the rule setting the requirement specifically provides otherwise.

2. The Canadian Securities Course

An applicant ~~shall be~~is exempt from writing the Canadian Securities Course if the applicant

~~(a) Has been approved continuously as a registered representative since November, 1962;~~

~~(b) Has successfully completed the previously existing Corporation Course I and II, or the previously existing Corporation Course I and has acquired five consecutive years of industry experience and~~

~~(i) Is currently approved as an investment representative or registered representative,~~

~~(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or~~

~~(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing;~~

(c) Has successfully completed the Canadian Investment Management program, Parts I and II and

(i) Is currently approved as an investment representative or a registered representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of the approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or(d) Has has previously been registered or licensed with a recognized foreign regulatory authority or self-regulatory organization and has successfully completed the New Entrants Course within two years of the application.

2. The Conduct and Practices Handbook Course

An applicant shall be exempt from writing the Conduct and Practices Handbook Course if the applicant

(a) Has been approved continuously as a registered representative since December, 1971; or

(b) Has successfully completed the Partners, Directors and Senior Officers Qualifying Examination and

(i) Is currently approved as a partner, director, senior officer, investment representative or registered representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or(iv) Is currently seeking approval within two years of successfully completing the Partners, Directors and Senior Officers Qualifying Examination.

3. The Partners, Directors and Senior Officers Qualifying Examination

An applicant shall be exempt from writing the Partners, Directors and Senior Officers Qualifying Examination if the applicant has been approved continuously as a partner, director or senior officer since March 1973.**4. The Derivatives Fundamentals Course**

An applicant shall beis exempt from writing the Derivatives Fundamentals Course if the applicant has successfully completed the Canadian Options Course, the National Commodity Futures Examination, the Canadian Futures Examinations, Futures Licensing Course, or Canadian Commodity Supervisors Examination, and

(a) Is currently approved as a registered representative options,

(b) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(c) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or(d) Is currentlyis seeking approval within two years of successfully completing the Options Course Licensing Course, the Options Supervisors Course, the Futures Licensing Course, or the Canadian Commodity Supervisors Examination.

5. The Options Licensing Course

An applicant shall be exempt from writing the Options Licensing Course if the applicant has successfully completed the Canadian Options Course and

(a) Is currently approved as a registered representative options,

(b) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

(c) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.

6. The Options Supervisors Course

An applicant shall be exempt from writing the Options Supervisors Course if the applicant

(a) Has been approved continuously as a registered options principal since January, 1978; or

(b) Has successfully completed the Registered Options Principals Qualifying Examination and

(i) Is currently approved as a registered options principal,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.

7. The Futures Licensing Course

An applicant shall be exempt from writing the Futures Licensing Course if the applicant has successfully completed the National Commodity Futures Examination and the Canadian Commodity Futures Examination, or the Canadian Futures Examination, Parts I and II, or the National Commodity Futures Examination and the Canadian Futures Examination, Part II, or the Canadian Commodity Futures Examination and the Canadian Futures Examination, Part I and

(a) Is currently approved as a registered futures contract representative options,

(b) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

(c) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.

8. The Canadian Commodity Supervisors Examination

An applicant shall be exempt from writing the Canadian Commodity Supervisors Examination if the applicant has been approved continuously as a commodity supervisor since January, 1980.

9. The Branch Managers Course

An applicant shall be exempt from writing the Branch Managers Course if the applicant

(a) Has been approved continuously as a branch manager since August 1, 1987;

(b) Has successfully completed the Canadian Branch Managers Qualifying Examination and

(i) Is currently approved as a branch manager,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.

(c) Has been approved continuously as a sales manager since January 24, 1994, unless the sales manager is currently seeking approval as a branch manager; or

(d) Has successfully completed both

(i) The Partners, Directors and Officers Qualifying Examination prior to February 1, 1990 and

A. Is currently approved as a partner, director or officer,

B. Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

~~C. Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, and~~

~~(ii) The Registered Options Principals Qualifying Examination and~~

~~A. Is currently approved as a designated registered options principal, an alternate registered options principal or a branch manager,~~

~~B. Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or~~

~~C. Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.~~

~~10. The WEALTH MANAGEMENT ESSENTIALS COURSE~~

4. The Wealth Management Essentials Course

An applicant ~~shall be~~is exempt from writing the Wealth Management Essentials Course if the applicant

(a) ~~Was registered for a minimum of two years with a Canadian securities regulatory authority or recognized foreign self-regulatory organization prior to the coming into force of this Rule 2900, Part II, and has not been out of the industry for a period of greater than three years;~~

~~(b) Has successfully completed Part 1 or 2 of the Canadian Investment Management program, and~~

~~(i) Is currently approved as an investment representative or a registered representative,~~

~~(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,~~

~~(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,~~

~~(iv) Is currently seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or~~

~~(v) Is seeking re-approval within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course.~~ (c) Has i) has successfully completed the Investment Management Techniques Course or the Professional Financial Planning Course prior to July 4, 2008, having been enrolled prior to July 4, ~~2006, and~~2006 and

~~(i) Is currently approved as an investment representative or a registered representative,~~

(ii) ~~Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,~~

~~(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,~~(iv) ~~Is currently~~is seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or

~~(v) Is seeking re-approval within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course.~~

~~11. Repealed.~~

~~12. The Canadian Investment Funds Course~~

~~An applicant shall be exempt from writing the Canadian Investment Funds Course administered by the Investment Funds Institute of Canada if the applicant has successfully completed the Canadian Securities Course and~~

~~(a) Is currently approved as a registered mutual fund representative,~~

~~(b) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,~~

~~(c) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or~~

~~(d) Is currently seeking approval within three years of successfully completing the Canadian Securities Course.~~

~~**13. The Investment Funds in Canada Course**~~

~~An applicant shall be exempt from writing the Investment Funds in Canada Course administered by the Institute of Canadian Bankers if the applicant~~

~~(a) Has successfully completed the Canadian Securities Course and~~

~~(i) Is currently approved as a registered mutual fund representative,~~

~~(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,~~

~~(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or~~

~~(iv) Is currently seeking approval within three years of successfully completing the Canadian Securities Course.~~

~~**14. The Principles of Mutual Funds Investment Course**~~

~~An applicant shall be exempt from writing the Principles of Mutual Funds Investment Course administered by the Canadian Trust Institute if the applicant~~

~~(a) has successfully completed the Canadian Securities Course and~~

~~(i) Is currently approved as a registered mutual fund representative,~~

~~(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,~~

~~(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or~~

~~(iv) Is currently seeking approval within three years of successfully completing the Canadian Securities Course.~~

~~**15. 90-DAY AND 30-DAY TRAINING PROGRAMS**~~

(b) Is seeking re-approval within three years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course.

5. 90-Day Training Program

An applicant is exempt from completing the 90-day training program if, within three years prior to application, the applicant was approved or registered with a Dealer Member, securities dealer or investment dealer; or by a recognized foreign regulatory authority or self regulatory organization; or as an investment advisor by a Canadian securities regulatory authority in a capacity permitting trading and advising in securities to retail clients.

6. 30-Day Training Program

An applicant ~~shall be~~is exempt from completing the ~~90-day or~~ 30-day training program ~~required under Rule 2900 Part 1, section 3(a)(iii) A and B~~ if, within three years prior to application, the applicant was registered with a ~~member~~Dealer Member, securities dealer or investment dealer; or by a recognized foreign regulatory authority or self regulatory organization; or as an investment advisor by a Canadian securities regulatory authority in a capacity permitting trading in securities to retail clients.

C. Discretionary Exemptions

(a) The applicable District Council~~, pursuant to~~ may, under Rule 20.24, ~~may~~ grant an exemption from the requirement to rewrite or write any required course or examination, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption, if the applicant demonstrates adequate experience and/or successful completion of industry courses or examinations that the applicable District Council, in its opinion, determines is an acceptable alternative to the required proficiency.

(b) The Board of Directors may prescribe a fee to be paid for any exemption application under this Rule 2900 Part II.

13.1.4 MFDA Sets Date for Kerry Scharfenberg Hearing in Edmonton, Alberta

NEWS RELEASE
For immediate release

MFDA SETS DATE FOR KERRY SCHARFENBERG HEARING IN EDMONTON, ALBERTA

September 19, 2008 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding in respect of Kerry Scharfenberg by Notice of Hearing dated June 27, 2008.

As specified in the Notice of Hearing, the first appearance in this proceeding took place today at 10:00 a.m. (Alberta) before a three-member Hearing Panel of the MFDA Prairie Regional Council.

The commencement of the hearing of this matter on the merits has been scheduled to take place before a Hearing Panel of the Prairie Regional Council on Tuesday, January 6, 2009 at 10:00 a.m. (Alberta) in the Hearing Room located at the Fairmont Hotel MacDonald, 10065 - 100th Street, Edmonton, AB, or as soon thereafter as the hearing can be held.

The hearing will be open to the public, except as may be required for the protection of confidential matters.

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 157 members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Yvette MacDougall
Hearings Coordinator
(416) 943-4606 or ymacdougall@mfda.ca

13.1.5 Housekeeping Amendments to MFDA Policy No. 1 – New Registrant Training and Supervision

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO MFDA POLICY NO. 1

NEW REGISTRANT TRAINING AND SUPERVISION

Current Policy

Policy No. 1 currently provides guidance on how to comply with MFDA Rule 1.2.1(c) which requires all Members to develop and document a training and supervision program for their newly-registered salespersons.

Reasons for Amendment

Policy No. 1 requires that all new accounts opened by a newly registered salesperson be pre-approved by the branch manager "prior to any trading activity taking place in the account" during the first 90 day period and "prior to or shortly after (within 1 business day) any trading activity in the account" during the subsequent 90 day supervision period.

Under Policy No. 1, account opening and the recording of trade instructions, which may be interpreted as trading activity, are treated as two separate events. However, clients typically open a new account and request an initial trade on the account at the same time. The proposed amendments to Policy No. 1 will clarify that all new accounts must be pre-approved by the branch manager prior to any trade being processed in the account.

Description of Amendment

The words "trading activity in the account", under "Supervision Policy", subsections (a) under the headings "The first 90 day period" and "The second 90 day period", will be deleted and replaced with the words "trade being processed in the account".

The proposed amendments are housekeeping in nature in that they are intended to eliminate confusion arising from the current language of the Policy.

Effective Date

The amended Rule will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

MFDA POLICY NO. 1

NEW REGISTRANT TRAINING AND SUPERVISION

On May 22, 2008, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following housekeeping amendments to the "Supervision Policy" section of Policy No. 1:

Policy No. 1 *New Registrant Training and Supervision*

Supervision Policy

MFDA Rule 1.2.1(c) requires that all newly registered salespersons be subject to concurrent supervision by the Member for a period of 6 months, commencing on the date of initial registration. Such supervision should include at a minimum:

The first 90 day period:

a) all new accounts must be pre-approved by the Branch Manager prior to any trade being processed in the account ~~trading activity in the account~~;

b) all trading activity must be reviewed and signed off by the Branch Manager no later than one business day following the trade date; and

c) all leveraged trades where leveraging was recommended by the Member's salesperson must be reviewed by the Branch Manager prior to trade execution.

The subsequent 90 day period:

a) all new accounts must be pre-approved by the Branch Manager prior to or shortly after (within 1 business day) any trade being processed in the account ~~trading activity in the account~~;

b) each month, the Branch Manager must review the greater of:

   (i) 5 of the client files that were handled by the salesperson in the preceding one month, and

   (ii) 10% of such client files,

   provided that if the number of such client files is less than 5, then the Branch Manager must review the actual number of such client files;

c) on a daily basis, the Branch Manager must review the greater of:

   (i) 5 of the trades conducted by the salesperson, and

   (ii) 10% of such trades,

   provided that if the number of such trades is less than 5, then the Branch Manager must review the actual number of such trades, (high-risk trades, are to be given particular attention); and

d) all leveraged trades where leveraging was recommended by the Member's salesperson must be reviewed by the Branch Manager prior to trade execution.

13.1.6 Approved Amendments to Section 11 of MFDA By-law No. 1 – Member Approval Process

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

APPROVAL PROCESS (Section 11 of MFDA By-law No. 1)

The Board of Directors of the Mutual Fund Dealers Association of Canada has made and enacted the following amendments to s.11 of MFDA By-law No. 1:

11. **APPROVAL PROCESS**

11.1 **Preliminary Review by the Corporation**

An application for Membership with any accompanying documents shall be submitted to the Corporation, which shall make a preliminary review of the same and either:

11.1.1 if such review discloses substantial compliance with the requirements of the By-laws and Rules, transmit a copy to the Chair of the Board or a director or committee of directors authorized for that purpose; or

11.1.2 if such review discloses any substantial non-compliance with the requirements of the By-laws and Rules, notify the applicant as to the nature of such non-compliance and request that the application for Membership be amended in accordance with the notification of the Corporation and refiled or be withdrawn. If the applicant declines to amend or withdraw the application for Membership, the Corporation shall forward the same to the Chair of the Board or a director or committee of directors authorized for that purpose, together with any accompanying material and a copy of the notification to the applicant.

11.2 **Submission of Financial Information**

The application shall be accompanied by:

11.2.1 financial statements of the applicant as of a date not more than 90 days prior to the date of application for Membership (or as of such other date as the Corporation may require), prepared in accordance with Form 1 and audited by an auditor acceptable to the Corporation;

11.2.2 interim unaudited monthly financial statements, prepared in accordance with Form 1, for the period following the date of the audited financial statement submitted under Section 11.2.1 up to the most recent month prior to the date of the Membership application;

11.2.3 a report by the applicant's auditor to the effect that, based on his examination of the affairs of the applicant, the applicant keeps a proper system of books and records; and

11.2.4 such additional financial information, if any, relating to the applicant as the Corporation may in its discretion request.

11.3 **Notification to the Board of Directors**

If and when the Corporation has received the financial statements and report referred to in Section 11.2, and is satisfied with respect to all relevant matters, then the Corporation shall so notify the Board of Directors.

11.4 **Determination of the Board of Directors**

Upon receipt of the application for Membership from the Corporation and the notification from the Corporation pursuant to Section 11.3, the Board of Directors may:

11.4.1 ~~at the expiration of a period of six months or such lesser period as the Board of Directors may in any particular case determine,~~ approve the application;

11.4.2 approve the application subject to such terms and conditions as may be considered appropriate by the Board of Directors if, in the opinion of the Board of Directors, such terms and conditions are necessary in order to ensure that the By-laws and Rules will be complied with by the applicant; or

11.4.3 refuse the application if, in the opinion of the Board of Directors, having regard to such factors as it may consider relevant including, without limitation, the past or present conduct, business or condition of the applicant;

(a) it is not satisfied that the By-laws and Rules will be complied with by the applicant;

(b) the applicant is not qualified by reason of the ownership, integrity, solvency, training or experience of the applicant or any of its partners, directors, officers, employees or agents, or any person having an ownership interest in the capital or indebtedness of the applicant; or

(c) such approval is not in the public interest.

11.4.4 If, pursuant to the provisions of this Section 11.4, the Board of Directors approves an application subject to terms and conditions or refuses an application, the Board of Directors may order that the applicant may not apply for removal or variation of terms and conditions or reapply for approval, for such period as the Board of Directors provides.

11.5 ~~Right to be Heard~~ **Power to Vary or Remove Terms and Conditions**

The Board of Directors shall have the power to vary or remove any such terms and conditions as may have been imposed on an applicant that may be considered appropriate by the Board of Directors, if such terms and conditions are or are no longer, as the case may be, necessary to ensure that the By-laws and Rules will be complied with by the applicant.

~~If the Board of Directors proposes to approve an application subject to terms and conditions pursuant to Section 11.4.2 or to refuse an application pursuant to Section 11.4.3:~~

~~11.5.1 the applicant shall be provided with a statement of the grounds upon which the Board of Directors proposes to approve the application subject to terms and conditions or to refuse the application, and the particulars of those grounds;~~

~~11.5.2 the applicant shall be provided with a summary of the facts and evidence which are to be considered by the Board of Directors;~~

~~11.5.3 the Board of Directors shall permit the applicant to appear before it on notice, as is provided for in the Corporation's rules of procedure and with counsel or other representative, to call evidence and cross-examine witnesses in order to show cause why the application should not be subject to terms and conditions or should not be refused.~~

11.6 ~~Hearing~~ **Notice**

~~11.6.1 A hearing held pursuant to Section 11.5 shall be open to the public except where the Board of Directors determines that all or any part of the hearing should be held in camera in accordance with the principles set out in Section 20. To the extent not otherwise specified in this Section 11, the procedures applicable to proceedings under Section 20 shall be applicable to a hearing under this Section 11, mutatis mutandis.~~

~~11.6.2 If within 14 days of being notified of a proposal to approve an application subject to terms and conditions or to refuse an application, the applicant fails to request a hearing, the Board of Directors may approve the application subject to the proposed terms and conditions or refuse the application. If the applicant requests a hearing, the Board of Directors may, after permitting the parties to be heard, exercise any of its powers in accordance with Section 11.4.~~

~~11.6.3~~ Any decision of the Board of Directors ~~at a hearing~~ held pursuant to ~~Section~~Sections 11.4 or 11.5 shall be in writing and shall contain a concise statement of the reasons for the decision. Notice of a decision shall be delivered to the Corporation which shall then promptly give notice to the applicant. A copy of the decision shall accompany the notice.

~~11.7 **Power to Vary or Remove Terms and Conditions**~~

~~11.7.1 The Board of Directors shall have the power to vary or remove any such terms and conditions as may have been imposed on an applicant that may be considered appropriate by the Board of Directors, if such terms and conditions are or are no longer, as the case may be, necessary to ensure that the By-laws and Rules will be complied with by the applicant. In the event that the Board of Directors proposes to vary terms and conditions in a manner which would be more burdensome to the applicant, the provisions of Sections 11.5 and 11.6, inclusive, shall apply in the same manner as if the Board of Directors was exercising its powers thereunder in regard to the applicant.~~

~~11.7.2 If, pursuant to the provisions of Section 11.4, the Board of Directors approves an application subject to terms and conditions or refuses an application, the Board of Directors may order that the applicant may not apply for removal or variation of terms and conditions or reapply for approval, for such period as the Board of Directors provides.~~

11.7 ~~11.8~~ **Review**

11.7.1 ~~11.8.1~~ In the event of a decision of the Board of Directors

(a) to approve an application subject to terms and conditions pursuant to Section 11.4.2;

(b) to refuse an application pursuant to Section 11.4.3; ~~or~~

(c) to order a period of time in which an applicant may not apply or reapply pursuant to Section 11.4.4; or

(d) to vary terms and conditions in a manner that would be more burdensome to an applicant pursuant to Section ~~11.7.1,~~ 11.5,

the Board of Directors shall, upon application ~~of either the Corporation or~~by the applicant~~,~~ made ~~within 21 days of receiving notice of the decision of the Board~~on notice in accordance with the rules of procedure adopted by the Corporation, review the decision and either (i) confirm the decision, or (ii) make such other decision as the Board of Directors considers proper.

11.7.2 ~~11.8.2~~ If the Board of Directors is required to review a decision pursuant to Section ~~11.8.1, the Board of Directors shall~~11.7.1, the applicant and the Corporation shall be entitled to be heard at a hearing conducted in accordance with the rules of procedure adopted by the Corporation in respect of such hearings including the right to:

(a) ~~consider the record of the proceeding in which the decision was made~~receive a summary of the facts and evidence to be relied on by the applicant and the Corporation, as the case may be; and

~~(b) permit the Corporation and the applicant to appear before it on notice as is provided for in the Corporation's rules of procedure, with counsel or by agent, to make submissions; and~~

(b) appear on reasonable notice, with counsel or agent, to call evidence and cross-examine witnesses in order to show cause why (i) in the case of a decision referred to in Section 11.7.1(a) or (b), the application should not be subject to terms and conditions or should not be refused, or (ii) in the case of a decision referred to in Section 11.7.1(c) and (d), the period of time for reapplying or the variation of terms and conditions should not be imposed.

~~(c) provide written reasons for decision of the review to the Secretary who shall then promptly give the applicant notice and a copy of the decision.~~

11.7.3 To the extent not otherwise specified in this Section 11, the procedures under Section 20 shall be applicable to a hearing under Section 11.7.1, mutatis mutandis.

11.8 **Board of Directors**

11.8.1 ~~11.8.3~~ The authority of the Board under this Section ~~11.8~~11 may be exercised by the Executive Committee or a committee of the Board appointed pursuant to Section ~~3.6.4.~~3.6.4 and, notwithstanding the provisions of Section 3.6.4, such committee may consist in whole or in part of persons who are not members of the Board including, without limitation, persons who are eligible to sit on a Hearing Panel. Any reference in this By-law or any rules of procedure made in respect of membership applications shall be deemed to include a reference to the Executive Committee or such other appointed committee. No member of the Board of Directors or any such committee who has participated in a decision in respect of an application or proceeding pursuant to Section 11.4.2, 11.4.3, 11.4.4 or ~~11.7.1~~11.5 shall subsequently participate in a hearing pursuant to Section ~~11.8.1~~11.7.1 regarding that decision.

11.8.2 ~~11.8.4~~ Subject to ~~Sections 11.7 and~~Section 26, decisions of the Board ~~of Directors~~ pursuant to ~~this~~ Section ~~11.8~~11.7 are final and there shall be no further review of such decisions within the Corporation.

11.9 **Actions Upon Approval of Application**

11.9.1 If and when the application is approved by the Board of Directors, the Corporation shall compute the amount of the Annual Fee to be paid by the applicant pursuant to Section 14.

11.9.2 Subject to the provisions of Section 10.3, the Corporation shall advise at the next meeting of the Board of Directors the amount of the Annual Fee to be paid by the applicant, less the amount of the deposit submitted by the applicant pursuant to Section 10.2

11.9.3 If and when the application has been approved by the Board of Directors, and the applicant has been duly licensed or registered to carry on business as a mutual fund dealer under the applicable law of the province or provinces or territories in which the applicant carries on or proposes to carry on business, and upon payment of the balance of the Annual Fee, the applicant shall become and be a Member.

11.9.4 Notwithstanding the foregoing, if an applicant qualifies for exemption from payment of the Annual Fee and if the Board of Directors approves of such exemption and gives its approval to the application for Membership, the applicant shall be admitted to Membership if all other conditions relating to an application for Membership have been duly complied with except such conditions, if any, as the Board of Directors may deem appropriate to be waived under the circumstances of any particular case.

11.9.5 The Corporation shall keep a register of the names and business addresses of all Members and of their respective Annual Fees. The Annual Fees of Members shall not be made public by the Corporation.

~~11.10 The Corporation may prescribe rules of procedure (which may be Policies) in respect of all matters relevant to the conduct of proceedings under Section 11.~~

13.1.7 Housekeeping Amendments to MFDA Rule 2.3 – Power of Attorney / Limited Trading Authorization

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO MFDA RULE 2.3

(POWER OF ATTORNEY / LIMITED TRADING AUTHORIZATION)

Current Rule

Rule 2.3.1(a) currently prohibits Members and their Approved Persons from accepting or acting upon a general power of attorney or other similar authorization from a client in favour of the Member or Approved Person. Subsection (b) of the Rule allows an Approved Person to accept or act upon a general power of attorney or similar authorization from a client in favour of the Approved Person where such client is a spouse, parent or child of the Approved Person. This limited exception is subject to certain compliance controls designed to minimize the potential for conflicts of interest that may arise where an Approved Person exercises discretionary authority over a family member's account.

Reasons for Amendment

Rule 2.3.1(b) currently does not require that an Approved Person accepting a general power of attorney or similar authorization from a spouse, parent or child of the Approved Person notify the Member of such acceptance. In order to assist Members in meeting their supervisory obligations, the proposed amendments to Rule 2.3.1(b) will expressly require that the Approved Person notify the Member of the acceptance of a power of attorney or similar authorization from a client that is a family member.

Description of Amendment

The words "the Approved Person notifies the Member of the acceptance of the general power of attorney or similar authorization" will be added as subsection (i) under 2.3.1(b). Subsections (i) and (ii) under the current will be renumbered as subsections (ii) and (iii).

The proposed amendments are housekeeping in nature in that they are intended to clarify existing requirements and the current language of the Rule.

Effective Date

The amended Rule will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

POWER OF ATTORNEY/LIMITED TRADING AUTHORIZATION (Rule 2.3)

On May 22, 2008, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following housekeeping amendments to subsection (b) of Rule 2.3.1:

2.3 POWER OF ATTORNEY/LIMITED TRADING AUTHORIZATION

2.3.1 (a) **Prohibition**. No Member or Approved Person shall accept or act upon a general power of attorney or other similar authorization from a client in favour of the Member or Approved Person.

(b) **Exception**. Notwithstanding the provisions of paragraph (a), an Approved Person may accept or act upon a general power of attorney or similar authorization from a client in favour of the Approved Person where such client is a spouse, parent or child of the Approved Person and provided that:

(i) the Approved Person notifies the Member of the acceptance of the general power of attorney or similar authorization;

(ii) an Approved Person other than the Approved Person holding the general power of attorney must be the Approved Person of record on the account; and

(iii) such other conditions as prescribed by the Corporation are met.

2.3.2 **Limited Trading Authorization.** A Member or Approved Person may accept a limited trading authorization from a client for the express purpose of facilitating trade execution. In such circumstances a form of limited trading authorization as prescribed by the Corporation must be completed and approved by the compliance officer or branch manager, and retained in the client's file.

2.3.3 **Designation**. Each trade made pursuant to a limited trading authorization and its corresponding account must be identified as such in the books and records of the Member and on any order documentation.

13.1.8 Housekeeping Amendments to MFDA Rule 4 – Insurance

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO MFDA RULE 4 (INSURANCE)

Current Rule

Rule 4 sets out the minimum requirements that MFDA Members must observe regarding bonding and insurance. These include mandatory provisions for financial institution bonds, required coverage amounts and termination provisions.

Rule 4.2 requires the Member to have a rider attached to its financial institution bond ("FIB") policy that requires the insurer to notify the MFDA in the event the bond is terminated under certain conditions.

Rule 4.7(b) addresses cases where the Member is covered by a FIB policy that also offers coverage to related companies. In such cases, Members are required to ensure that the individual or aggregate limits under the policy are not affected by claims made by other companies covered under the policy, except where the companies are subsidiaries of the Member and their financial results are consolidated with those of the Member.

Reasons for Amendments

Amendments to Rule 4.2 are being proposed to clarify the existing requirements and ensure consistency with the amended Investment Dealers Association of Canada ("IDA") Rule.

Amendments to Rule 4.7(b) are being proposed to provide greater flexibility to Members with respect to global financial institution bonds. In situations where a holding company of a Member does not carry on other business or own other investments other than in the Member, MFDA staff takes the position that there is no significant additional exposure in extending the Member's individual or aggregate limits under the policy to include its holding company. The proposed amendment to the global FIB Rule is consistent with amendments to the IDA Rules.

Description of Amendments

The following amendments to Rule 4 are proposed:

- Rule 4.2 will be amended to reflect the format of other MFDA Rules and more clearly convey the intent of the section.
- Rule 4.3 will be amended to update a cross reference to Rule 4.2.
- Rule 4.7 will be amended to allow for coverage limits under a global financial institution bond to be affected by claims of a holding company of the Member, provided that the holding company does not carry on any business or own any investments other than its interest in the Member.

The proposed amendments are housekeeping in nature in that they are intended to clarify existing requirements and the current language of the Rule.

Effective Date

The amended Rules will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

INSURANCE (Rule 4)

On May 22, 2008, the Board of Directors of the Mutual Fund Dealers Association of Canada made the following housekeeping amendments to MFDA Rule 4:

4.2 NOTICE OF TERMINATION

Each Financial Institution Bond maintained by a Member shall contain a rider containing provisions to the following effect:

~~requiring~~ (i) ~~t~~The underwriter ~~to~~shall notify the Corporation at least 30 days prior to the termination or cancellation of the Bond, except in the event of termination of the Bond due to:

(~~a~~A) the expiration of the Bond period specified;

(~~b~~B) cancellation of the Bond as a result of the receipt of written notice from the insured of its desire to cancel the Bond;

(~~c~~C) ~~upon~~ the taking over of the insured by a receiver or other liquidator, or by provincial, federal or state officials; or

(~~d~~D) ~~upon~~ taking over of the insured by another institution or entity.

(ii) In the event of termination of the Bond as an entirety in accordance with clauses (i)(B), (i)(C) or (i)(D), the underwriter shall, upon becoming aware of such termination, give immediate written notice of the termination to the Corporation. Such notice shall not impair or delay the effectiveness of the termination.

4.3 TERMINATION OR CANCELLATION

In the event of the take-over of a Member by another institution or entity as described in Rule 4.2(i)(~~d~~D) the Member shall ensure that there is bond coverage which provides a period of twelve months from the date of such take-over within which to discover the losses, if any, sustained by the Member prior to the effective date of such take-over and the Member shall pay, or cause to be paid, any applicable additional premium.

4.7 GLOBAL FINANCIAL INSTITUTION BONDS

Where the insurance maintained by a Member in respect of any of the requirements under this Rule 4 names as the insured or benefits the Member, together with any other person or group of persons, whether within Canada or elsewhere, the following must apply:

(a) the Member shall have the right to claim directly against the insurer in respect of losses, and any payment or satisfaction of such losses shall be made directly to the Member; and

(b) the individual or aggregate limits under the policy may only be affected by claims made by or on behalf of

(i) the Member, or

(ii) any of the Member's subsidiaries whose financial results are consolidated with those of the Member, or

(iii) a holding company of the Member provided that the holding company does not carry on any business or own any investments other than its interest in the Member,

without regard to the claims, experience or any other factor referable to any other person.

13.1.9 Housekeeping Amendments to MFDA Rule 1.1.7 – Business Names, Styles, Etc.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO MFDA RULE 1.1.7

(BUSINESS NAMES, STYLES, ETC.)

Current Rule

MFDA Rule 1.1.7(d) currently requires Members to notify the MFDA prior to the use of any business or style or trade names other than the Member's legal name.

Reasons for Amendment

The intent of MFDA Rule 1.1.7(d) is to ensure that the MFDA is aware of what business, style or trade names are being used by the Approved Persons of the Member and for what purpose. The proposed amendment is intended to clarify that the requirement in Rule 1.1.7(d) to notify the MFDA prior to the use of any business, style or trade names other than the Member's legal name applies to any business, style or trade names to be used by Approved Persons in connection with the business of the Member as well as business carried on by Approved Persons outside of the Member.

Description of Amendment

The amendment will add the sentence "Such notification shall include any business or style or trade names used by Approved Persons in connection with the business of the Member or any business carried on by Approved Persons outside of the Member under Rule 1.2.1(d)."

The proposed amendment is housekeeping in nature in that it is intended to clarify existing requirements and the current language of the Rule.

Effective Date

The amended Rule will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

BUSINESS NAMES, STYLES, ETC. (Rule 1.1.7)

On May 22, 2008, the Board of Directors of Mutual Fund Dealers Association of Canada made the following housekeeping amendments to subsection (d) of MFDA Rule 1.1.7:

1.1.7 **Business Names, Styles, Etc.**

(d) **Notification of Trade Names.** Prior to the use of any business or style or trade names other than the Member's legal name, the Member shall notify the Corporation. Such notification shall include any business or style or trade names used by Approved Persons in connection with the business of the Member or any business carried on by Approved Persons outside of the Member under Rule 1.2.1(d).

Chapter 25

Other Information

25.1 Consents

25.1.1 EM Resources Inc. - s. 4(b) of the Regulation

Headnote

Consent given to a corporation under the Business Corporations Act (Ontario) to continue under the Business Corporations Act (Alberta).

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B16, as am.
Business Corporations Act, R.S.A. 2000 c B9, as am.
Securities Act, R.S.O. 1990, c.S.5, as am.

Regulation Cited

Regulation made under the Business Corporations Act, O. Reg. 289/00, as am., s. 4(b).

IN THE MATTER OF
R.R.O 1990, REGULATION 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
EM RESOURCES INC.

CONSENT
(Subsection 4(b) of the Regulation)

UPON the application (the "**Application**") of EM Resources Inc. (the "**Applicant**") to the Ontario Securities Commission (the "**Commission**") requesting the consent from 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 Application and the recommendation of the staff of the Commission;

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a corporation existing under the provisions of the OBCA and was formed by Articles of Incorporation pursuant to the OBCA on April 8, 2005.

2. The Applicant's registered office is located at 32 Roxborough Street East, Toronto, Ontario M4W 1V6. Following completion of the proposed Continuance, the registered office of the Applicant will be located at 800, 640-8th Avenue South West, Calgary, AB T2P 1G7.

3. The Applicant's authorized share capital consists of an unlimited number of Common Shares of which 1,900,000 Common Shares are issued and outstanding as at August 26, 2008.

4. The Applicant proposes to make an application to the Director under the OBCA pursuant to section 181 of the OBCA (the "**Application for Continuance**") for authorization to continue as a corporation under the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9 (the "**ABCA**").

5. 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 from the Commission.

6. The Applicant is an offering corporation under the OBCA and is a reporting issuer within the meaning of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**"). The Applicant intends to remain a reporting issuer under the Act following the Continuance.

7. The Applicant is not in default of any of the provisions of the Act or the regulations or rules made under the Act.

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. 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 September 15, 2008. The special resolution authorizing the Continuance was approved at the Meeting by 100% of the votes cast by the Applicant's shareholders.

10. Pursuant to section 185 of the OBCA, all shareholders of record as of the record date for the Meeting were entitled to exercise dissent rights with respect to the Application for Continuance. The management information circular of the Applicant describing the Continuance, dated August 11, 2008, provided to the shareholders of the Applicant in connection with the Meeting, advised the shareholders of their dissent rights under the OBCA.

11. The Continuance is being proposed because the Applicant wishes to amalgamate with a company governed by the ABCA.

12. Section 181 of the ABCA permits corporations to amalgamate under the ABCA provided that both amalgamating corporations are incorporated or continued under the ABCA.

13. The Applicant's amalgamation with Condor Petroleum Inc. under the ABCA was approved at an annual and special meeting of shareholders held on September 15, 2008.

14. The material rights, duties and obligations of a corporation governed by the ABCA are substantially similar to those of a corporation 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 ABCA.

DATED at Toronto, Ontario this 16th day of September, 2008.

"David L Knight"
Commissioner
Ontario Securities Commission

"Carol S Perry"
Commissioner
Ontario Securities Commission

25.2 Requests for Permission

25.2.1 SCHOTT Solar AG - s. 38(3)

September 4, 2008

Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trade-mark Agents
199 Bay Street
Suite 2800, Commerce Court West
Toronto, ON M5L 1A9

Attention: Leila Rafi

Re: SCHOTT Solar AG (the Company)
Request for Permission under s. 38(3) of the Securities Act (Ontario)

Further to your letter of August 28, 2008 and email of September 2, 2008, we understand that:

1. The Company is planning to offer securities by way of a private placement to investors in Ontario and other Canadian jurisdictions concurrent with a public offering of its securities in the United States.

2. Prospective purchasers in Ontario and other relevant Canadian jurisdictions will receive an offering memorandum (the "OM") that wraps the U.S. Offering Memorandum.

3. The OM will contain one or more representations identical or substantially similar to the forms of representations set out in your letter dated August 28, 2008 (the "Listing Representation"). The Listing Representation states: *An application for admission of all the Company's shares…to trading on the regulated market (regulierter Markt) and the regulated market sub-segment with additional post-admission listing obligations (Prime Standard) of the Frankfurt Stock Exchange is expected to be filed on 8 September 2008, at the earliest. This listing order is expected to be issued on or before the final banking day of the offering period. The decision on admission of the shares is the sole purview of the Frankfurt Stock Exchange. Trading in the shares on the Frankfurt Stock Exchange is planned to commence on the first banking day following the expiration of the offering period.*

4. The Company will include disclosure in the OM to the effect that listing on the Frankfurt Stock Exchange is not automatic or guaranteed.

5. No securities of the Company are currently listed on any stock exchange or quoted on any quotation and trade reporting system and the Company will include disclosure in the OM to this effect.

6. The Frankfurt Stock Exchange has not granted approval to the listing of the Company's securities, conditional or otherwise, nor has it consented to, nor indicated that it does not object to the Listing Representation.

7. The Company seeks permission to include the Listing Representation in the OM to be provided to prospective Ontario purchasers.

Based upon the representations above and the representations contained in your letter of August 28, 2008 and email of September 2, 2008, permission is hereby granted pursuant to subsection 38(3) of the Securities Act (Ontario) to include the Listing Representation in the OM to be provided to prospective Ontario investors.

Yours very truly,

"Jo-Anne Matear"
Assistant Manager, Corporate Finance Branch

25.3 Approvals

25.3.1 Wealhouse Capital GP 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 and future 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).

September 19, 2008

Heenan Blaikie LLP
P.O. Box 185, Suite 2600
200 Bay Street
South Tower, Royal Bank Plaza
Toronto, ON M5J 2J4

Attention: Paola A. Turner

Dear Sirs/Medames:

Re: Wealhouse Capital GP 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 No. 2008/0531

Further to your application dated August 6, 2008 (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 the assets of Panorama Private Client Fund and such other funds as the Applicant may establish from time to time, 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 Panorama Private Client Fund and such other funds which may be established and managed by the Applicant from time to time, the securities of which will be offered pursuant to a prospectus exemption.

Yours truly,

"Paulette Kennedy"

"Paul K. Bates"

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