The Ontario Securities Commission

OSC Bulletin

February 11, 2011

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

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

February 11, 2011

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
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SCHEDULED OSC HEARINGS

February 16, 2011 2:00 p.m.	**Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Howard Rash, Michael Schaumer, Elliot Feder, Vadim Tsatskin, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff** s. 127 H. Craig in attendance for Staff Panel: EPK
February 16, 2011 2:00 p.m.	**Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Vadim Tsatskin, Michael Schaumer, Elliot Feder, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff** s. 37, 127 and 127.1 H. Craig in attendance for Staff Panel: EPK
February 17, 2011 10:00 a.m.	**Andrew Rankin** s. 144 S. Fenton/K. Manarin in attendance for Staff Panel: MGC/PLK
February 25, 2011 10:00 a.m.	**Hillcorp International Services, Hillcorp Wealth Management, Suncorp Holdings, 1621852 Ontario Limited, Steven John Hill, and Danny De Melo** s. 127 A. Clark in attendance for Staff Panel: MGC

February 28, 2011 11:00 a.m.	**North American Financial Group Inc., North American Capital Inc., Alexander Flavio Arconti, and Luigino Arconti** s. 127 M. Britton in attendance for Staff Panel: EPK
March 1, 2011 2:00 p.m.	**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: PJL/SA
March 7, 2011 10:00 a.m.	**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
March 7-11, March 21-28, 2011 10:00 a.m. March 29, 2011 2:00 p.m.	**Paul Donald** s. 127 C. Price in attendance for Staff Panel: TBA
March 8, 2011 10:00 a.m.	**Global Consulting and Financial Services, Crown Capital Management Corporation, Canadian Private Audit Service, Executive Asset Management, Michael Chomica, Peter Siklos (Also Known As Peter Kuti), Jan Chomica, and Lorne Banks** s. 127 H. Craig/C. Rossi in attendance for Staff Panel: MGC
March 8, 2011 12:00 p.m.	**QuantFX Asset Management Inc., Vadim Tsatskin, Lucien Shtromvaser and Rostislav Zemlinsky** s. 127 H. Craig in attendance for Staff Panel: MGC
March 10, 2011 10:00 a.m.	**Alexander Christ Doulis (aka Alexander Christos Doulis, aka Alexandros Christodoulidis) and Liberty Consulting Ltd.** s. 127 S. Horgan in attendance for Staff Panel: CP/PLK
March 16, 2011 10:00 a.m.	**Rezwealth Financial Services Inc., Pamela Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc., Sylvan Blackett, 1778445 Ontario Inc. and Willoughby Smith** s. 127(1) and (5) A. Heydon in attendance for Staff Panel: CP
March 21 and March 23-31, 2011 May 2-9 and May 11-13, 2011 10:00 a.m.	**York Rio Resources Inc., Brilliante Brasilcan Resources Corp., Victor York, Robert Runic, George Schwartz, Peter Robinson, Adam Sherman, Ryan Demchuk, Matthew Oliver, Gordon Valde and Scott Bassingdale** s. 127 H. Craig/C. Rossi in attendance for Staff Panel: TBA
March 30, 2011 10:00 a.m.	**Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., Weizhen Tang Corp., and Weizhen Tang** s. 127 and 127.1 M. Britton in attendance for Staff Panel: JDC

April 4-7, April 11, April 13-18 and April 20, 2011 10:00 a.m.	**Uranium308 Resources Inc., Michael Friedman, George Schwartz, Peter Robinson, and Shafi Khan** s. 127 H. Craig/C.Rossi in attendance for Staff Panel: TBA
April 4-11 and April 13-15, 2011 10:00 a.m.	**L. Jeffrey Pogachar, Paola Lombardi, Alan S. Price, New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., 2126375 Ontario Inc., 2108375 Ontario Inc., 2126533 Ontario Inc., 2152042 Ontario Inc., 2100228 Ontario Inc., and 2173817 Ontario Inc.** s. 127 M. Britton in attendance for Staff Panel: TBA
April 5, 2011 2:30 p.m.	**Lehman Brothers & Associates Corp., Greg Marks, Kent Emerson Lounds and Gregory William Higgins** s. 127 H. Craig in attendance for Staff Panel: TBA
April 11, April 13-21, and April 27-29, 2011 10:00 a.m.	**Axcess Automation LLC, Axcess Fund Management, LLC, Axcess Fund, L.P., Gordon Alan Driver, David Rutledge, 6845941 Canada Inc. carrying on business as Anesis Investments, Steven M. Taylor, Berkshire Management Services Inc. carrying on business as International Communication Strategies, 1303066 Ontario Ltd. carrying on business as ACG Graphic Communications, Montecassino Management Corporation, Reynold Mainse, World Class Communications Inc. and Ronald Mainse** s. 127 Y. Chisholm in attendance for Staff Panel: TBA
April 18 and April 20, 2011 10:00 a.m.	**Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc., Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions** s. 127 and 127.1 H. Daley in attendance for Staff Panel: JDC/MCH
May 2-9, May 11-16, 2011 10:00 a.m.	**Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt** s. 127 C. Rossi in attendance for Staff Panel: TBA
May 4-5, 2011 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: JEAT/PLK/MGC
May 10, 2011 2:30 p.m.	**Ciccone Group, Medra Corporation, 990509 Ontario Inc., Tadd Financial Inc., Cachet Wealth Management Inc., Vince Ciccone, Darryl Brubacher, Andrew J. Martin., Steve Haney, Klaudiusz Malinowski and Ben Giangrosso** s. 127 P. Foy in attendance for Staff Panel: TBA
May 16-20 and May 25-31, 2011 10:00 a.m.	**Nelson Financial Group Ltd., Nelson Investment Group Ltd., Marc D. Boutet, Stephanie Lockman Sobol, Paul Manuel Torres, H.W. Peter Knoll** s. 127 P. Foy in attendance for Staff Panel: EPK/MCH

May 25-31, 2011 10:00 a.m.	**Sunil Tulsiani, Tulsiani Investments Inc., Private Investment Club Inc., and Gulfland Holdings LLC** s. 127 C. Rossi in attendance for Staff Panel: JDC/CWMS
June 1-2, 2011 10:00 a.m.	**Hector Wong** s. 21.7 A. Heydon in attendance for Staff Panel: EPK/PLK
June 6 and June 8-9, 2011 10:00 a.m.	**Lehman Brothers & Associates Corp., Greg Marks, Kent Emerson Lounds and Gregory William Higgins** s. 127 H. Craig in attendance for Staff Panel: JDC/CWMS
September 6-12, September 14-26 and September 28, 2011 10:00 a.m.	**Anthony Ianno and Saverio Manzo** s. 127 and 127.1 A. Clark in attendance for Staff Panel: TBA
September 12, 14-26 and September 28-30, 2011 10:00 a.m.	**FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun** s. 127 C. Price in attendance for Staff Panel: TBA
September 14-23, September 28 – October 4, 2011 10:00 a.m.	**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
October 12-24 and October 26-27, 2011 10:00 a.m.	**Helen Kuszper and Paul Kuszper** s. 127 and 127.1 U. Sheikh 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	**MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric** s. 127 and 127(1) D. Ferris in attendance for Staff Panel: TBA
TBA	**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

TBA **Goldbridge Financial Inc., Wesley Wayne Weber and Shawn C. Lesperance**

s. 127

C. Johnson in attendance for Staff

Panel: TBA

TBA **Gold-Quest International, 1725587 Ontario Inc. carrying on business as Health and Harmoney, Harmoney Club Inc., Donald Iain Buchanan, Lisa Buchanan and Sandra Gale**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Lyndz Pharmaceuticals Inc., James Marketing Ltd., Michael Eatch and Rickey McKenzie**

s. 127(1) and (5)

J. Feasby/C. Rossi in attendance for Staff

Panel: TBA

TBA **M P Global Financial Ltd., and Joe Feng Deng**

s. 127 (1)

M. Britton in attendance for Staff

Panel: TBA

TBA **Shane Suman and Monie Rahman**

s. 127 and 127(1)

C. Price in attendance for Staff

Panel: JEAT/PLK

TBA **Gold-Quest International, Health and Harmoney, Iain Buchanan and Lisa Buchanan**

s. 127

H. Craig in attendance for Staff

Panel: JEAT/CSP/SA

TBA **TBS New Media Ltd., TBS New Media PLC, CNF Food Corp., CNF Candy Corp., Ari Jonathan Firestone and Mark Green**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Brilliante Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason Georgiadis, Richard Taylor and Victor York**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Abel Da Silva**

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA **Richvale Resource Corp., Marvin Winick, Howard Blumenfeld, John Colonna, Pasquale Schiavone, and Shafi Khan**

s. 127(7) and 127(8)

H. Craig in attendance for Staff

Panel: TBA

TBA **Sextant Capital Management Inc., Sextant Capital GP Inc., Otto Spork, Robert Levack and Natalie Spork**

s. 127

T. Center in attendance for Staff

Panel: TBA

TBA

Ameron Oil and Gas Ltd., MX-IV Ltd., Gaye Knowles, Giorgio Knowles, Anthony Howorth, Vadim Tsatskin, Mark Grinshpun, Oded Pasternak, and Allan Walker

s. 37, 127 and 127.1

H. Craig/C. Rossi in attendance for Staff

Panel: TBA

TBA

David M. O'Brien

s. 37, 127 and 127.1

B. Shulman in attendance for Staff

Panel: TBA

TBA

Paul Azeff, Korin Bobrow, Mitchell Finkelstein, Howard Jeffrey Miller and Man Kin Cheng (a.k.a. Francis Cheng)

s. 127

T. Center/D. Campbell in attendance for Staff

Panel: TBA

TBA

Maple Leaf Investment Fund Corp., Joe Henry Chau (aka: Henry Joe Chau, Shung Kai Chow and Henry Shung Kai Chow), Tulsiani Investments Inc., Sunil Tulsiani and Ravinder Tulsiani

s. 127

A. Perschy/C. Rossi in attendance for Staff

Panel: CP/PLK

TBA

Shaun Gerard McErlean and Securus Capital Inc.

s. 127

M. Britton in attendance for Staff

Panel: TBA

TBA

Majestic Supply Co. Inc., Suncastle Developments Corporation, Herbert Adams, Steve Bishop, Mary Kricfalusi, Kevin Loman and CBK Enterprises Inc.

s. 37, 127 and 127.1

D. Ferris in attendance for Staff

Panel: TBA

TBA

Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjiaints Select American Transfer Co., Leasesmart, Inc., Advanced Growing Systems, Inc., International Energy Ltd., Nutrione Corporation, Pocketop Corporation, Asia Telecom Ltd., Pharm Control Ltd., Cambridge Resources Corporation, Compushare Transfer Corporation, Federated Purchaser, Inc., TCC Industries, Inc., First National Entertainment Corporation, WGI Holdings, Inc. and Enerbrite Technologies Group

s. 127 and 127.1

H. Craig in attendance for Staff

Panel: TBA

TBA

Nest Acquisitions and Mergers, IMG International Inc., Caroline Myriam Frayssignes, David Pelcowitz, Michael Smith, and Robert Patrick Zuk

s. 37, 127 and 127.1

C. Price in attendance for Staff

Panel: TBA

TBA

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)

H. Craig in attendance for Staff

Panel: TBA

TBA

Marlon Gary Hibbert, Ashanti Corporate Services Inc., Dominion International Resource Management Inc., Kabash Resource Management, Power to Create Wealth Inc. and Power to Create Wealth Inc. (Panama)

s. 127

S. Chandra in attendance for Staff

Panel: TBA

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

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

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

Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson

1.1.2 OSC Staff Notice 11-764 – Business Continuity Planning – Industry Testing Exercise

OSC STAFF NOTICE 11-764
BUSINESS CONTINUITY PLANNING –
INDUSTRY TESTING EXERCISE

Business continuity is an ongoing priority for industry participants and regulatory authorities. Various events that have occurred over the past few years, such as the different flu outbreaks, natural disasters, black-outs or marketplaces' system problems that impacted a part or the industry as a whole, have served to heighten that priority by highlighting the risk of operational disruptions to the financial system.

Staff of the Ontario Securities Commission (OSC Staff or we) encourage the industry's efforts to identify the challenges and address the potential impact of any incidents that could disrupt normal business operations. This practice is consistent with securities legislation. Specifically, securities regulations require that business continuity plans be tested regularly, to reflect current or potential developments. Subsection 12.1(b) of National Instrument 21-101 *Marketplace Operation* requires marketplaces to test their business continuity and disaster recovery plans on a reasonably frequent basis and, in any event, at least annually. In addition, subsection 11.1(b) of National Instrument 31-103 *Registration Requirements and Exemptions* requires a registered firm to establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to manage the risks associated with its business in accordance with prudent business practices. Rule 17.16 of the Dealer Member Rules of the Investment Industry Regulatory Organization of Canada (IIROC), approved by the recognizing regulators of IIROC, requires Dealer Members to establish and maintain a business continuity plan and conduct an annual review and a test of their business continuity plan to determine whether any modifications are necessary. In addition, clearing agencies are expected to have procedures to ensure business continuity including regularly testing their business continuity plans.

We are of the view that dealers, marketplaces, self-regulatory organizations and clearing agencies should participate regularly in industry-wide testing. We are considering whether it is necessary to make such testing mandatory through rule proposals or additional requirements in the recognition orders of various entities.

As stated in IIROC Notice 10-0332 issued on December 16, 2010, IIROC has set the date for a market wide test on September 10, 2011. IIROC expects all Dealer Members and major service providers to participate in this test and it will share the results of the test with all participants.

In light of the above and the existing requirements, OSC Staff encourage all dealers, marketplaces and clearing agencies to participate in the September 2011 market-wide exercise organized by IIROC. Participation in this exercise may facilitate the discovery of any potential communication issues, points of failure between industry participants within

and across different jurisdictions or other issues with services provided by third-party service providers.

Questions may be referred to:

Alina Bazavan
Ontario Securities Commission
416-593-8082

John Kearns
Ontario Securities Commission
416-593-8278

February 11. 2011

1.2 Notices of Hearing

1.2.1 Hector Wong – s. 21.7

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

AND

**IN THE MATTER OF
AN APPLICATION FOR A HEARING AND
REVIEW OF A DECISION OF THE ONTARIO
COUNCIL OF THE INVESTMENT INDUSTRY
REGULATORY ORGANIZATION OF CANADA,
PURSUANT TO SECTION 21.7 OF THE
SECURITIES ACT, R.S.O. 1990, c. S.5, AS AMENDED**

AND

**IN THE MATTER OF
DISCIPLINE PROCEEDINGS PURSUANT TO THE
BY-LAWS OF THE INVESTMENT DEALERS
ASSOCIATION OF CANADA AND THE DEALER
MEMBER RULES OF THE INVESTMENT INDUSTRY
REGULATORY ORGANIZATION OF CANADA**

BETWEEN

**STAFF OF THE INVESTMENT INDUSTRY
REGULATORY ORGANIZATION OF CANADA**

AND

HECTOR WONG

**NOTICE OF HEARING
Section 21.7**

TAKE NOTICE THAT the Ontario Securities Commission will hold a hearing pursuant to section 21.7 of the *Securities Act*, R.S.O. 1990, c S.5, as amended, to consider the Application made by Hector Wong for a review of decisions of the Investment Industry Regulatory Organization of Canada made June 16, 2010 and October 29, 2010;

AND TAKE FURTHER NOTICE THAT the hearing will be held on June 1 and 2, 2011 at 10:00 a.m. on the 17th floor of the Commission's offices located at 20 Queen Street West, Toronto.

Dated at Toronto this 3rd day of February, 2011

"John Stevenson"
Secretary to the Commission

1.4 Notice from the Office of the Secretary

1.4.1 MRS Sciences Inc. (formerly Morningside Capital Corp.) et al.

FOR IMMEDIATE RELEASE
February 3, 2011

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

AND

IN THE MATTER OF
MRS SCIENCES INC. (FORMERLY MORNINGSIDE CAPITAL CORP.),
AMERICO DEROSA, RONALD SHERMAN,
EDWARD EMMONS, IVAN CAVRIC AND
PRIMEQUEST CAPITAL CORPORATION

TORONTO – Following the hearing on the merits in the above noted matter, the Panel released its Reasons and Decision.

A copy of the Reasons and Decision dated February 2, 2011 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.2 Helen Kuszper and Paul Kuszper

FOR IMMEDIATE RELEASE
February 3, 2011

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

AND

IN THE MATTER OF
HELEN KUSZPER AND PAUL KUSZPER

TORONTO – The Commission issued an Order in the above named matter which provides that this matter is adjourned to a confidential pre-hearing conference to be held on March 10, 2011 at 2:00 p.m.; and the hearing on the merits shall commence on October 12, 2011 at 10:00 a.m. at the offices of the Commission, 20 Queen Street West, 17th Floor, Toronto, Ontario and continue until October 27, 2011, except for October 25, 2011

A copy of the Order dated January 27, 2011 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

Carolyn Shaw-Rimmington
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416-593-2361

Dylan Rae
Media Relations Specialist
416-595-8934

Theresa Ebden
Senior Communications Specialist
416-593-8307

For investor inquiries:

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

1.4.3 Irwin Boock et al.

FOR IMMEDIATE RELEASE
February 3, 2011

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

AND

IN THE MATTER OF
IRWIN BOOCK, STANTON DEFREITAS, JASON WONG, SAUDIA ALLIE, ALENA DUBINSKY, ALEX KHODJIAINTS, SELECT AMERICAN TRANSFER CO., LEASESMART, INC., ADVANCED GROWING SYSTEMS, INC., INTERNATIONAL ENERGY LTD., NUTRIONE CORPORATION, POCKETOP CORPORATION, ASIA TELECOM LTD., PHARM CONTROL LTD., CAMBRIDGE RESOURCES CORPORATION, COMPUSHARE TRANSFER CORPORATION, FEDERATED PURCHASER, INC., TCC INDUSTRIES, INC., FIRST NATIONAL ENTERTAINMENT CORPORATION, WGI HOLDINGS, INC. AND ENERBRITE TECHNOLOGIES GROUP

TORONTO – The Commission issued an Order in the above named matter which provides that a pre-hearing conference will be held on Thursday, March 3, 2011 at 10:00 a.m. or such other date or time as agreed upon by the parties and fixed by the Secretary's office.

A copy of the Order dated January 27, 2011 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
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SECRETARY

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1-877-785-1555 (Toll Free)

1.4.4 Hector Wong

FOR IMMEDIATE RELEASE
February 4, 2011

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

AND

IN THE MATTER OF
AN APPLICATION FOR A HEARING AND REVIEW OF A DECISION OF THE ONTARIO COUNCIL OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA, PURSUANT TO SECTION 21.7 OF THE SECURITIES ACT, R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
DISCIPLINE PROCEEDINGS PURSUANT TO THE BY-LAWS OF THE INVESTMENT DEALERS ASSOCIATION OF CANADA AND THE DEALER MEMBER RULES OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

BETWEEN

STAFF OF THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

AND

HECTOR WONG

TORONTO – The Office of the Secretary issued a Notice of Hearing setting the matter down to be heard on June 1 and 2, 2011 at 10:00 a.m. or as soon thereafter as the hearing can be held in the above named matter.

A copy of the Notice of Hearing dated February 3, 2011 and the Amended Notice of Request for Hearing and Review dated November 11, 2010 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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1.4.5 TBS New Media Ltd. et al.

FOR IMMEDIATE RELEASE
February 9, 2011

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

AND

IN THE MATTER OF
TBS NEW MEDIA LTD., TBS NEW MEDIA PLC,
CNF FOOD CORP., CNF CANDY CORP.,
ARI JONATHAN FIRESTONE AND MARK GREEN

TORONTO – The Commission issued a Temporary Order in the above named matter which provides that the Temporary Order, as amended by the July 12, 2010 Order, is extended to March 14, 2011; and the Hearing is adjourned to March 11, 2011 at 10:00 a.m., or such other date and time as set by the Office of the Secretary and agreed upon by the parties.

A copy of the Temporary Order dated February 8, 2011 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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Chapter 2

Decisions, Orders and Rulings

2.1 Decision

2.1.1 Sino Dragon New Energy Holdings Limited

Headnote

National Policy 11-203 Process for Exemptive Relief Application in Multiple Jurisdictions – Application by foreign reporting issuer for a decision that it is not a reporting issuer under applicable securities laws – issuer has represented that Canadian resident shareholders beneficially own less than 2% of the issuer's outstanding securities and represent less than 2% of total number of beneficial securityholders – issuer has made diligent enquiries to support beneficial ownership representations – no securities of the issuer trade on any market or exchange in Canada – issuer has not conducted a public or private financing in any jurisdiction in Canada since August 2008 and has no present intention of seeking public or private financing in any jurisdiction of Canada in the future – issuer's securities listed on Hong Kong stock exchange – issuer is subject to continuous disclosure reporting requirements under Hong Kong securities laws – issuer has undertaken to continue to concurrently send or provide to its Canadian resident shareholders all disclosure material it is required to send or provide to Hong Kong resident shareholders under applicable Hong Kong securities laws – issuer has issued a press release announcing that it has applied to cease to be a reporting issuer in the Jurisdictions – requested relief granted.

Applicable Legislative Provisions

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

February 2, 2011

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

AND

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

AND

IN THE MATTER OF
SINO DRAGON NEW ENERGY HOLDINGS LIMITED
(the Filer)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the **Decision Maker**) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) that the Filer is not a reporting issuer (the **Exemptive Relief Sought**).

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

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

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

Interpretation

Terms defined in National Instrument 14-101 *Definitions* 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 manufacturer and producer of zirconium chemicals.

2. The Filer was incorporated in 2000 under the laws of the Cayman Islands under the name "China Zirconium Limited." Effective October 12, 2009, the Filer changed its name to "Sino Dragon New Energy Holdings Limited."

3. The Filer's head office is located at No. 68 Hongxin Road, Xushe Town, Yixing City, Jiangsu Province, People's Republic of China. In addition to its head office, the Filer maintains an office in Hong Kong.

4. The Filer has no operations, employees or offices in Canada.

5. The authorized share capital of the Filer consists of 8,000,000,000 ordinary shares (**Shares**). As of January 12, 2011, there were 2,292,362,102 Shares issued and outstanding. The Filer does not have any issued and outstanding securities other than the Shares.

6. The Shares are listed on The Stock Exchange of Hong Kong Limited (**HKEx**). The Filer is not in default of any requirements of the HKEx, or applicable requirements of the Hong Kong securities regulatory authorities.

7. The Filer became a reporting issuer in each of the Jurisdictions upon filing a final prospectus and obtaining a final receipt therefor on August 1, 2008 (the **Canadian Prospectus**). The Filer is not a reporting issuer in any other jurisdiction in Canada.

8. The Filer issued 649,900 Shares in the Jurisdictions under the Canadian Prospectus. The Filer has not conducted a public or private financing in any jurisdiction in Canada subsequent to the offering under the Canadian Prospectus and the Filer has no present intention of seeking public or private financing in any jurisdiction in Canada in the future.

9. The Shares were listed on the Toronto Stock Exchange (**TSX**) on August 15, 2008. The Filer applied to voluntarily delist the Shares from the TSX on September 15, 2009 due to the administrative and legal costs of maintaining the listing and the low trading volume of the Shares on the TSX. The Filer's voluntary delisting application was approved by the TSX on September 23, 2009.

10. The Shares ceased trading and the Filer was delisted from the TSX as of the close of trading on September 30, 2009. Therefore, since that time, the Filer has not taken any steps to indicate there is a market for its securities in Canada.

11. To the knowledge of the Filer, after diligent inquiry, residents of Canada do not directly or indirectly beneficially own more than 2% of each class or series of outstanding securities of the Filer worldwide. The due diligence conducted by the Filer in support of the foregoing representation is as follows:

    (a) After the Filer was delisted from the TSX on September 30, 2009, registered and beneficial owners of the Shares were contacted and informed of the process to transfer their Shares to the HKEx. According to the Filer's transfer agent in Hong Kong, Computershare Hong Kong Investor Services Ltd. (**Computershare HK**), there is no requirement to mail printed meeting materials to beneficial shareholders in Hong Kong. Meeting materials are sent only to security/broker firms holding Shares on behalf of beneficial owners. As such, Computershare HK has no access to the contact information regarding the Filer's beneficial shareholders, including information about such beneficial owners' addresses to determine residency, once the Shares are transferred to the Hong Kong branch share register.

    (b) The Filer requested information on the Canadian Share ownership levels from its Canadian transfer agent, Computershare Investor Services Inc. (**Computershare Canada**), and from Computershare HK. As of January 12, 2011, five registered holders of Shares with Canadian addresses remained on the Canadian share register according to Computershare Canada. As of the same date, there was one registered security/broker firm with a Canadian address holding Shares on behalf of beneficial shareholders and one Canadian resident registered shareholder, listed on the Hong Kong share register. These seven Canadian resident registered shareholders held 830,100 Shares at that time, representing approximately 0.04% of the total number of outstanding Shares.

(c) Therefore, based on the information provided by Computershare Canada and Computershare HK, and assuming that:

(i) Canadian resident shareholders are listed only on the Canadian share register (with the exception of one registered security/broker firm with a Canadian address and one Canadian resident shareholder listed on the Hong Kong share register and included in the calculation below); and

(ii) the Canadian resident registered security/broker firms hold Shares only on behalf of Canadian resident beneficial shareholders;

the number of Shares beneficially owned by Canadian residents is approximately 0.04% of the total number of outstanding Shares of the Filer worldwide.

12. To the knowledge of the Filer, after diligent enquiry, residents of Canada do not directly or indirectly comprise more than 2% of the total number of shareholders of the Filer worldwide. The due diligence conducted by the Filer in support of the foregoing representation is as follows:

(a) As of January 12, 2011, according to Computershare Canada and Computershare HK there were:

(i) three registered shareholders holding Shares in his/her own name with Canadian addresses listed on the Canadian share register;

(ii) two registered security/broker firms with Canadian addresses holding Shares on behalf of beneficial shareholders listed on the Canadian share register;

(iii) one registered security/broker firm with an American address listed on the Canadian share register;

(iv) one registered shareholder holding Shares in his/her own name with a Canadian address listed on the Hong Kong share register;

(v) one registered security/broker firm with a Canadian address listed on the Hong Kong share register;

(vi) 18 registered shareholders holding Shares in his/her own name with Hong Kong addresses listed on the Hong Kong share register; and

(vii) 206 registered security/broker firms with Hong Kong addresses holding Shares on behalf of beneficial shareholders listed on the Hong Kong share register.

(b) As described in paragraph 11(a) above, information concerning the number of shareholders beneficially holding Shares of the Filer in Hong Kong is difficult to ascertain and, without such information, determining the total number of shareholders beneficially holding Shares of the Filer worldwide is not possible.

(c) The Filer previously endeavoured to determine the number of Hong Kong resident shareholders beneficially holding Shares of the Filer by conducted the following due diligence:

(i) In September 2009, the Filer obtained a list from the Central Clearing and Settlement System (**CCASS**) disclosing the name and contact address of each of the registered security/broker firms in Hong Kong (**CCASS Participants**) holding Shares on behalf of the Filer's beneficial shareholders.

(ii) The Filer sent letters to CCASS Participants holding approximately 86% of its Shares as of September 16, 2009 to request information regarding the Filer's beneficial shareholders, including the beneficial shareholders' addresses to determine residency. The Filer did not contact the remaining CCASS Participants as they only held approximately 5% of its Shares at that time, and the Filer concluded that information from such CCASS Participants would not contribute significantly to the determination of the number of Hong Kong resident shareholders beneficially holding Shares of the Filer (as of September 16, 2009, the remaining 9% of Shares were held directly by registered holders of the Shares on the Hong Kong share register (approximately 8%) and the Canadian share register (approximately 1%), respectively).

(iii) The Filer received only a minority of responses to the request letters it sent to the CCASS Participants and after such diligent enquiry was unable to determine the number of shareholders in Hong Kong beneficially holding its Shares. As a result, the Filer could not determine the total number of shareholders beneficially holding its Shares worldwide.

(iv) As a result, and with no other alternative options to determine the number of shareholders indirectly holding its Shares in Hong Kong, the Filer did not repeat this course of action in 2010.

(d) In November 2010, the Filer attempted to obtain information from Computershare Canada regarding the beneficial ownership of its Shares by the two registered security/broker firms on the Canadian share register but was advised by Computershare Canada that this information could not be provided because its intermediary, Broadridge Financial Services, Inc., no longer has access to this information as a result of the process whereby the Filer's Shares were transferred to the HKEx.

(e) However, based on the information provided in paragraph 12(a) above, and assuming that Canadian resident shareholders are listed only on the Canadian share register (with the exception of the one Canadian resident shareholder listed on the Hong Kong share register), and assuming that one security/broker firm represents at least five beneficial shareholders, it is reasonable to conclude that:

(i) the total number shareholders beneficially holding Shares of the Filer is approximately 1,072 worldwide (i.e. approximately 210 registered security/broker firms x 5 = 1,050, plus 22 shareholders holding Shares in their own names); and

(ii) the total number of shareholders in Canada beneficially holding Shares of the Filer is approximately 19 (i.e. approximately 3 registered security/broker firms with Canadian addresses x 5 = 15, plus 4 shareholders with Canadian addresses holding Shares in their own names), which is 1.8% of the total number of beneficial shareholders of the Filer worldwide.

13. The Filer is governed by, and is in compliance with, corporate governance and disclosure standards imposed by the Hong Kong Securities and Futures Commission and the HKEx (collectively, the **HK Rules**). These standards, which include the publication of annual and interim financial statements, proxy materials and material change and timely disclosure reporting, are similar in nature and scope to the reporting requirements under National Instrument 51-102 *Continuous Disclosure Obligations* and are, pursuant to National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (**NI 71-102**), acceptable for the purposes of complying with the continuous disclosure requirements of the Jurisdictions.

14. The Filer has delivered all disclosure material required by applicable HK Rules to its Canadian shareholders in accordance with NI 71-102. Continuous disclosure materials mandated by the HK Rules are available to the Filer's shareholders through the HKEx's website at www.hkexnews.hk or the Filer's website at www.chinazirconium.com.hk.

15. Upon granting of the Exemptive Relief Sought, the Filer undertakes to continue to send or provide to its Canadian shareholders all disclosure material that it is required to send or provide to Hong Kong resident holders of the Shares, in the same manner and at the same time that such material is required to be sent or provided to Hong Kong resident shareholders under applicable HK Rules.

16. On November 18, 2010, the Filer issued a press release announcing that it has applied to securities regulatory authorities for a decision that it is not a reporting issuer in the Jurisdictions, and that, as a consequence of such decision, if rendered, the Filer will no longer be a reporting issuer in any jurisdiction in Canada.

17. The Filer is not in default of any requirement of the securities legislation in any jurisdiction in Canada.

18. The Filer, upon the grant of the Exemptive Relief Sought, will no longer be a reporting issuer in any jurisdiction in Canada.

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 Exemptive Relief Sought is granted.

"Carol S. Perry"
Commissioner
Ontario Securities Commission

"Vern Krishna"
Commissioner
Ontario Securities Commission

2.1.2 Pantera Drilling Income Trust – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

Citation: Pantera Drilling Income Trust, Re, 2011 ABASC 56

January 28, 2011

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 - 3rd Ave SW
Calgary, AB T2P 0R3

Attention: Scott Cedergren

Dear Sir:

Re: Pantera Drilling Income Trust (the Applicant) – Application for a decision under the securities legislation of Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the Jurisdictions) that the Applicant is not a reporting issuer

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

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total 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 applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Blaine Young"
Associate Director, Corporate Finance

2.1.3 Nordic Oil and Gas Ltd. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application by TSX-Venture Exchange-listed issuer whereby Issuer enters into equity distribution agreement with underwriters to distribute units through the facilities of the TSX-V – Issuer granted exemption from the prospectus delivery requirement and prospectus form requirements, subject to conditions.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, ss. 25(1), 71(1), 74(1), 147.
National Instrument 44-101 Short Form Prospectus, s. 8.1.
National Instrument 44-101 Short Form Prospectus Distributions, Item 20.
National Instrument 44-102 Shelf Distributions, Part 9 Appendix A.

January 21, 2011

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

AND

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

AND

IN THE MATTER OF
NORDIC OIL AND GAS LTD.
(the "Nordic")

AND

DUTCHESS OPPORTUNITY CAYMAN FUND, LTD
("Dutchess")

AND

DUTCHESS CAPITAL MANAGEMENT II, LC
(the "Manager" and, together with
Nordic and Dutchess, the "Filers")

DECISION

Background

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

(a) the following disclosure requirements under the Legislation (the "**Prospectus Disclosure Requirements**") do not fully apply to Nordic in connection with the Distribution (as defined below):

i. the statement in the Prospectus Supplement (as defined below) respecting statutory rights of withdrawal and rescission required by section 18.1 of National Instrument 41-101 – *General Prospectus Requirements* and section 60 of the *Securities Act* (Ontario) (the "**OSA**") in the form prescribed by item 20 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* ("**NI 44-101**"); and

ii. the statements required by Subsections 5.5(2) and (3) of National Instrument 44-102 – Shelf Distributions ("**NI 44-102**");

(b) the prohibition from acting as a dealer unless the person is registered as such (the "**Dealer Registration Requirement**") does not apply to Dutchess and the Manager in connection with the Distribution; and

(c) the requirement that a dealer send a copy of the Prospectus (as defined below) to a subscriber or purchaser in the context of a distribution (the "**Prospectus Delivery Requirement**") does not apply to Dutchess and the Manager or the dealer(s) through whom Dutchess distributes the Shares (as defined below) and, as a result, rights of withdrawal or rights of rescission, price revision, or damages for non-delivery of the Prospectus do not apply in connection with the Distribution;

(collectively, the "**Exemptive Relief Sought**").

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

(a) The Manitoba Securities Commission is the principal regulator for this application,

(b) the Filers have provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* ("**MI 11-102**") is intended to be relied upon in all of the provinces and territories of Canada except for Quebec (collectively with Manitoba and Ontario, the "**Provinces**"), 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 in this decision.

Representations

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

Nordic

1. Nordic is incorporated under the laws of Manitoba and has its head office and registered office located at 4727 Roblin Blvd., Winnipeg, MB, R3R 0G2.

2. Nordic is an independent Manitoba based oil and gas company engaged in the exploration, development and production of oil, natural gas and coal bed methane in the provinces of Saskatchewan and Alberta.

3. Nordic is currently a reporting issuer under the securities legislation of each of the provinces of Manitoba, Saskatchewan, Alberta and British Columbia and is not in default of any requirements under the securities in any jurisdiction in Canada.

4. Nordic's authorized share capital consists of an unlimited number Class A common shares ("**Shares**") and an unlimited number of convertible preferred shares, of which 69,741,626 Shares and nil convertible preferred shares were outstanding as at November 9, 2010.

5. The Shares are listed for trading on the TSX Venture Exchange (the "**Exchange**") under the symbol "NOG"; based on the closing price of $0.075 of the Shares on the Exchange on November 8, 2010, the current market capitalization of Nordic is approximately $5,230,621.

6. Upon the filing of an annual information form for the year ended December 31, 2009, Nordic will be qualified to file a short form prospectus under section 2.2 of NI 44-101 and therefore will be qualified to file a base shelf prospectus under NI 44-102.

7. Nordic intends to file with the securities regulators in some or all of the Provinces a base shelf prospectus (such base shelf prospectus and any amendments thereto is referred to as the "**Base Shelf Prospectus**").

8. The statements in subsection 5.5(2) and (3) of NI 44-102 included in the Base Shelf Prospectus will be qualified by adding the following ", except in cases where an exemption from such delivery requirements has been obtained."

Dutchess and the Manager

9. Dutchess is an investment fund established as a Cayman Islands exempt limited partnership and its head office is located at Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

10. Dutchess is managed by the Manager, a limited liability corporation incorporated under the laws of Delaware, having its head office at 50 Commonwealth Ave, Suite 2, Boston, Massachusetts, USA. The Manager is an affiliate of Dutchess under applicable securities laws.

11. Dutchess is one of a number of investment funds managed by the Manager. The Manager is the investment manager for funds which have made direct investments in growth-stage and mature public companies which span a wide array of sectors using various investment structures such as equity line facilities, equity-linked notes and direct placements.

12. Neither Dutchess nor the Manager is a reporting issuer or registered as a registered firm as defined in National Instrument 31-103 – *Registration Requirements and Exemptions* in any jurisdiction of Canada.

13. Dutchess and the Manager are not in default of securities legislation in any jurisdiction of Canada.

Proposed Distribution Arrangement

14. Nordic and Dutchess propose to enter into an equity line facility agreement (the "**Distribution Agreement**"), pursuant to which Dutchess will agree to subscribe for, and Nordic will have the right but not the obligation to issue and sell, up to C$10 million of Shares (the "**Aggregate Commitment Amount**") over a period of 36 months in a series of drawdowns. Nordic will be entitled to request, in respect of each drawdown, a maximum amount equal to the greater of: (i) $500,000; or (ii) 200% of the average daily volume of the Shares as traded on the Exchange, multiplied by the average of the three daily closing prices immediately preceding the date of such put, subject to the Aggregate Commitment Amount.

15. The Distribution Agreement will provide Nordic with the ability to raise capital as needed from time to time. Dutchess regularly engages in such transactions. Dutchess will, in most cases, finance its commitment to subscribe for Shares on a drawdown through short-sales or resales out of existing holdings of Nordic's securities.

16. Nordic will have the sole ability to determine the timing and the amount of each drawdown, subject to certain conditions, including a maximum investment amount per drawdown and the Aggregate Commitment Amount.

17. The subscription price per Share and therefore the number of Shares to be issued to Dutchess for each drawdown will be calculated based on a predetermined percentage discount from the lowest daily volume-weighted average price per Share on the Exchange over a period of five consecutive trading days following a drawdown notice sent by Nordic (the "**Drawdown Pricing Period**"). Specifically, the Shares will be issued at a subscription price equal to the lowest daily volume-weighted average price per Share on the Exchange during the Drawdown Pricing Period multiplied by 95%. Nordic may fix in such drawdown notice a minimum subscription price below which it will not issue any Shares. Nordic and Dutchess can mutually agree in writing to amend the minimum price set forth in a drawdown notice during the applicable Drawdown Pricing Period. Notwithstanding the foregoing, the subscription price per Share may not be lower than the volume-weighted average price per Share on the Exchange over a period of five consecutive trading days immediately preceding the applicable drawdown notice, less the permitted discount under the private placement rules contained in the Exchange Company Manual (the "**Floor Price**").

18. Subject to earlier settlement in certain circumstances, on the 7th trading day following the date of each drawdown notice (each, a "**Settlement Date**"), the amount of the drawdown will be paid by Dutchess in consideration for the relevant number of newly issued Shares.

19. The Distribution Agreement will provide that, at the time of each drawdown notice and at each Settlement Date, Nordic will make a representation to Dutchess that the Base Shelf Prospectus, as supplemented (the "**Prospectus**"), contains full, true and plain disclosure of all material facts relating to Nordic and the Shares being distributed. Nordic would therefore be unable to issue, or decide to issue, Shares when it is in possession of undisclosed information that would constitute a material fact or a material change.

20. On or after each Settlement Date, Dutchess may seek to sell all or a portion of the Shares subscribed for under the drawdown.

21. During the term of the Distribution Agreement, Dutchess and its affiliates, associates or insiders, as a group, will not own at any time, directly or indirectly, Shares representing more than 9.9% of the issued and outstanding Shares.

22. Dutchess and its affiliates, associates or insiders, will not hold a "net short position" in Shares during the term of the Distribution Agreement. However, Dutchess may, after the receipt of a drawdown notice, seek to short-sell Shares to be subscribed for under the drawdown, or engage in hedging strategies, in order to reduce the economic risk associated with its commitment to subscribe for Shares, provided that:

    (a) Dutchess complies with applicable rules of the Exchange and applicable securities regulations;

    (b) Dutchess and its affiliates, associates or insiders, will not during the period between a drawdown notice and the corresponding Settlement Date, directly or indirectly, sell Shares or grant any right to purchase or acquire any right to dispose of, nor otherwise dispose for value of, any Shares or any securities convertible into or exchangeable for Shares, in an amount exceeding the number of Shares to be subscribed by Dutchess under the applicable drawdown; and

    (c) notwithstanding the foregoing, Dutchess and its affiliates, associates or insiders, will not, directly or indirectly, sell Shares or grant any right to purchase or acquire any right to dispose of, nor otherwise dispose for value of, any Shares or any securities convertible into or exchangeable for Shares, between the time of delivery of a drawdown notice and the filing of the press release announcing the drawdown.

23. Disclosure of the activities of Dutchess and its affiliates, associates or insiders, as well as the restrictions thereon, the whole as described in paragraph 22 above, will be included in the Base Shelf Prospectus. In addition, Nordic will include in the Base Shelf Prospectus a risk factor that explains that Dutchess may engage in short-sales, resales or other hedging strategies to reduce or eliminate investment risks associated with a drawdown and that such risk factor will disclose the possibility that such transactions may result in significant dilution to existing shareholders and could have a significant effect on the price of the Shares.

24. No extraordinary commission or consideration will be paid by Dutchess or the Manager to a person or company in respect of the disposition of Shares by Dutchess to purchasers who purchase them from Dutchess through the dealer(s) engaged by Dutchess through the Exchange (the "**Exchange Purchasers**").

25. Dutchess and the Manager will also agree, in effecting any disposition of Shares, not to engage in any sales, marketing or solicitation activities of the type undertaken by dealers in the context of a public offering. More specifically, each of Dutchess and the Manager will not (a) advertise or otherwise hold itself out as a dealer, (b) purchase or sell securities as principal from or to customers, (c) carry a dealer inventory in securities, (d) quote a market in securities, (e) extend, or arrange for the extension of credit, in connection with transactions of securities of Nordic, (f) run a book of repurchase and reverse repurchase agreements, (g) use a carrying broker for securities transactions, (h) lend securities for customers, (i) guarantee contract performance or indemnify Nordic for any loss or liability from the failure of the transaction to be successfully consummated, (j) participate in a selling group; (k) effect any disposition of Shares which would not be in compliance with Canadian or United States securities legislation, (l) provide investment advice or (m) issue or originate securities.

26. Dutchess and the Manager will not solicit offers to purchase Shares in any jurisdiction of Canada and will sell the Shares to Exchange Purchasers through one or more dealer(s) unaffiliated with Dutchess, the Manager and Nordic.

The Prospectus Supplements

27. Nordic intends to file with the securities regulator in some or all of the Provinces a prospectus supplement to the Base Shelf Prospectus (each, a "Prospectus Supplement") within two business days after the Settlement Date for each drawdown under the Distribution Agreement.

28. The Prospectus Supplement will include (i) the number of Shares issued to Dutchess, (ii) the price per Share paid by Dutchess, (iii) the information required by NI 44-102, including the disclosure required by subsection 9.1(3) of NI 44-102, and (iv) the following statement:

> Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment are not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. **However, such rights and remedies will not be available to purchasers of common shares distributed under this prospectus because the prospectus**

will not be delivered to purchasers, as permitted under a decision document issued by the Manitoba Securities Commission on ●, 2010.

The securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contain a misrepresentation, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. Such remedies remain unaffected by the non-delivery of the prospectus, as permitted under the decision document referred to above.

The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

(the "**Amended Statement of Rights**")

29. The Base Shelf Prospectus, as supplemented by each Prospectus Supplement, will (a) qualify the distribution of Shares to Dutchess on the Settlement Date of the drawdown disclosed in the relevant Prospectus Supplement, and (b) qualify the distribution of such Shares to Exchange Purchasers during the period that commences on the date of issuance of a drawdown notice to Dutchess and ends on the earlier of (i) the date on which the distribution of such Shares has ended or (ii) the 40th day following the Settlement Date (collectively, a "**Distribution**").

30. The Prospectus Delivery Requirement is not workable in the context of the Distribution because the Exchange Purchasers will not be readily identifiable as the dealer(s) acting on behalf of Dutchess may combine the sell orders made under the Prospectus with other sell orders and the dealer(s) acting on behalf of the Exchange Purchasers may combine a number of purchase orders.

31. The Prospectus Supplement will contain an underwriter's certificate in the form set out in section 2.2 of Appendix B to NI 44-102, signed by Dutchess.

32. At least three business days prior to the filing of any Prospectus Supplement, Nordic will provide for comment to the Decision Makers a draft of such Prospectus Supplement.

Press Releases / Continuous Disclosure

33. Following the execution of the Distribution Agreement, Nordic will:

    i. promptly issue and file a press release on SEDAR disclosing the material terms of the Distribution Agreement, including the Aggregate Commitment Amount; and

    ii. within ten days after said execution:

        1. file a copy of the Distribution Agreement on SEDAR; and

        2. file a material change report on SEDAR disclosing at a minimum the information required in subparagraph (i) above.

34. Nordic will promptly issue and file a press release on SEDAR upon the issuance of each drawdown notice, regardless of the size of the drawdown, disclosing the aggregate amount of the drawdown, the maximum number of Shares to be issued, the minimum price per Share, if any, the Floor Price as well as the fact that the Base Shelf Prospectus is available on SEDAR and specifying how a copy of this document can be obtained.

35. Nordic will promptly issue and file a press release on SEDAR upon amending the minimum price set forth in a drawdown notice disclosing the amended minimum price per Share and the maximum number of Shares to be issued.

36. Nordic will:

    i. issue and file a press release on SEDAR on, or as soon as practicable after, the last day of the Drawdown Pricing Period, disclosing:

        1. the number of Shares issued to, and the price per Share paid by, Dutchess;

        2. that the Base Shelf Prospectus and the relevant Prospectus Supplement will be available on SEDAR and specifying how a copy of these documents can be obtained; and

3. the Amended Statement of Rights; and

ii. file a material change report on SEDAR within ten days of the Settlement Date, if the relevant Distribution constitutes a material change under applicable securities legislation, disclosing at a minimum the information required in subparagraph (i) above.

37. Nordic will also disclose in its financial statements and management's discussion and analysis filed on SEDAR under National Instrument 51-102 – *Continuous Disclosure Obligations*, for each financial period, the number and price of Shares issued to Dutchess pursuant to the Distribution Agreement.

Deliveries upon Request

38. Nordic will deliver to the Decision Makers and to the Exchange, upon request, a copy of each drawdown notice delivered by Nordic to Dutchess under the Distribution Agreement.

39. Dutchess and the Manager will provide to the Decision Makers, upon request, full particulars of trading and hedging activities by Dutchess or the Manager (and, if required, trading and hedging activities by their respective affiliates, associates or insiders) in relation to securities of Nordic during the term of the Distribution Agreement.

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 Exemptive Relief Sought is granted provided that:

(a) as it relates to the Prospectus Disclosure Requirement:

(i) Nordic comply with the representations in paragraphs 8, 23, 28, 29, 33, 34, 35, 36 and 38; and

(ii) The number of Shares distributed by Nordic under the Distribution Agreement does not exceed, in any 12 month period, 19.9% of the aggregate number of Shares outstanding calculated at the beginning of such period;

(b) As it relates to the Prospectus Delivery Requirement and the Dealer Registration Requirement, Dutchess and/or the Manager, as the case may be, comply with the representations in paragraph 22, 24, 25, 26, 31 and 39; and

(c) This decision will terminate 36 months after the execution of the Distribution Agreement.

“Chris Besko”
Deputy Director – Legal
The Manitoba Securities Commission

2.1.4 AbitibiBowater Canada Inc. – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

Montréal, January 28, 2011

AbitibiBowater Canada Inc.
C/o: Stikeman Elliott
1155 René-Lévesque Blvd. West
40th Floor
Montréal, Québec H3B 3V2

Attention: Mrs. Lydia Pham

Re: AbitibiBowater Canada Inc. (the "Applicant") – Application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick Nova Scotia, Prince Edward Island and Newfoundland and Labrador, (the "Jurisdictions") that the Applicant is not a reporting issuer

Dear Madam:

The Applicant has applied to the local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions for a decision under the securities legislation (the "Legislation") of the Jurisdictions that the Applicant is not a reporting issuer.

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the Jurisdictions in Canada and fewer than 51 security holders in total in Canada;

(b) no securities of the Applicant are traded on a marketplace as defined in *Regulation 21-101 respecting Marketplace Operation*;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the Jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer;

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant's status as a reporting issuer is revoked.

"Alida Gualtieri"
Manager, Continuous Disclosure
Autorité des marchés financiers

2.1.5 Baytex Energy Ltd. – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

Citation: Baytex Energy Ltd., Re, 2011 ABASC 64

February 3, 2011

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

Attention: Bronwyn M. Inkster

Dear Sir:

Re: Baytex Energy Ltd. (the Applicant) – Application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the Jurisdictions) that the Applicant is not a reporting issuer

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

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total 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 applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer and that the Applicant's status as a reporting issuer is revoked.

"Blaine Young"
Associate Director, Corporate Finance

2.1.6 Liquor Stores Income Fund – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – application for an order that the issuer is not a reporting issuer.

Ontario Statutes

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

February 2, 2011

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

Attention: Jessica M. Strocen

Dear Madam:

Re: Liquor Stores Income Fund (the Applicant) – Application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the Jurisdictions) that the Applicant is not a reporting issuer

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

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total 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 applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer and that the Applicant's status as a reporting issuer is revoked.

"Blaine Young"
Associate Director, Corporate Finance
Alberta Securities Commission

2.1.7 Globestar Mining Corporation – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – application for an order that the issuer is not a reporting issuer.

Ontario Statutes

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

February 2, 2011

Fraser Milner Casgrain LLP
77 King Street West, Suite 400
Toronto, Ontario M5K 0A1

Attention: Karen Slater

Re: Globestar Mining Corporation (the Applicant) – application for a decision under the securities legislation of Ontario, Alberta and Quebec (the Jurisdictions) that the Applicant is not a reporting issuer

The Applicant has applied to the local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (the Legislation) of the Jurisdictions that the Applicant is not a reporting issuer.

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total 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 applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is not a reporting issuer.

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

2.1.8 Fort Chicago Energy Partners L.P. – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

Citation: Fort Chicago Energy Partners L.P., Re, 2011 ABASC 55

January 27, 2011

Bennett Jones LLP
4500 Bankers Hall East
885 - 2nd Street SW
Calgary, AB T2P 4K7

Attention: Scott T. Jeffers

Dear Sir:

Re: Fort Chicago Energy Partners L.P. (the Applicant) – Application for a decision under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador (the Jurisdictions) that the Applicant is not a reporting issuer

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

As the Applicant has represented to the Decision Makers that:

(a) the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 security holders in each of the jurisdictions in Canada and fewer than 51 security holders in total 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 applying for a decision that it is not a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

(d) the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer and that the Applicant's status as a reporting issuer is revoked.

"Blaine Young"
Associate Director, Corporate Finance

2.1.9 Fortress Paper Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from the insider reporting requirements for certain dispositions of securities pursuant to an automatic securities disposition plan, subject to insiders filing an annual report of such transactions – Relief consistent with guidance contained in OSC Staff Notice 55-701 Automatic Securities Disposition Plans and Automatic Purchase Plans.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 107(2), 121(2)(a)(ii).
National Instrument 55-104 Insider Reporting Requirements and Exemptions, Parts 3 and 4, s. 10.1.

February 1, 2011

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

AND

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

AND

IN THE MATTER OF
FORTRESS PAPER LTD.
(THE FILER)

DECISION

Background

1 The securities regulatory authority or regulator in each of the Jurisdictions (Decision Maker) has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) pursuant to section 91 of the *Securities Act* (British Columbia) (the BC Act), section 121(2) of the *Securities Act* (Ontario) (the Ontario Act) and section 10.1 of National Instrument 55-104 *Insider Reporting Requirements and Exemptions* (NI 55-104) that certain directors and senior executive officers of the Filer and its subsidiaries (the Insiders) be exempt from the requirement to file an insider report within five days following the disposition of securities under an automatic securities disposition plan (the Exemption Sought), subject to certain conditions.

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

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

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta, Saskatchewan, Manitoba, Québec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon Territories, Northwest Territories and Nunavut, and

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

Interpretation

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

Representations

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

1. the Filer is a corporation incorporated under the *Business Corporations Act* (British Columbia), is a reporting issuer in each of the provinces and territories of Canada and is not in default of the securities legislation in any of the jurisdictions in which it is reporting;

2. the Filer's head office is located at 2nd Floor, 157 Chadwick Court, North Vancouver, British Columbia;

3. the authorized share capital of the Filer consists of an unlimited number of Class A voting common shares without par value (Common Shares) and an unlimited number of Class B preferred shares with a par value of $1,000; as of the date hereof, the Filer had 12,665,080 Common Shares outstanding; the Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol “FTP”;

4. restricted share units, deferred share units and performance share units may be granted to an Insider pursuant to the Filer's long term incentive plan (the LTIP) and vest according to a fixed schedule and/or the achievement of certain performance targets; on vesting of LTIP units held by a participant, one Common Share is issued by the Filer for each vested unit without payment of additional consideration; in addition, the Filer grants stock options to Insiders from time to time in accordance with its amended and restated stock option plan (the Option Plan); each option is exercisable into one Common Share and is generally exercisable over a five year period;

5. on December 10, 2010, the Filer announced that it had adopted an automatic share disposition plan (the ASDP); under the ASDP, eligible Insiders can elect to: (i) deposit currently held Common Shares into the ASDP to be automatically sold; (ii) have Common Shares issued upon the vesting of units granted to the Insider under the LTIP automatically deposited into the ASDP and subsequently sold; and (iii) have options granted under the Option Plan deposited into the ASDP, automatically exercised and the Common Shares issuable upon exercise automatically sold; Insiders who are officers of the Filer are subject to ongoing minimum ownership restrictions with respect to the Filer's securities as a condition of their participation in the ASDP;

6. the ASDP is designed to facilitate sales of Common Shares for the Insiders; absent such an automatic disposition process, the Insiders have a limited number of opportunities to dispose of their Common Share holdings due to insider trading restrictions under applicable securities laws and the Filer's insider trading policies;

7. the parameters of the ASDP and other instructions are set out in a written plan document which outlines the restrictions on sales of Common Shares; the plan document also outlines the mechanics of transfer and sale of the Common Shares by an independent third-party administrator (the Administrator); the Administrator is a securities broker which is arms length to the Filer and the Insiders; neither the Filer nor any of its or its subsidiaries' directors, officers or employees may disclose any material undisclosed information to the Administrator; further, no Insider participating in the ASDP may disclose to the Administrator any information that is intended to or could influence the timing of the exercise of options or the sale of Common Shares;

8. the ASDP is an automatic plan and the Insiders cannot make investment decisions through the ASDP; the ASDP has been structured to comply with applicable securities legislation and guidance, including, *inter alia*, section 57.4(3) of the BC Act, section 175(2)(b) of *Regulation 1015* under the Ontario Act, Ontario Commission Staff Notice 55-701 *Automatic Securities Disposition Plans and Automatic Securities Purchase Plans* (OSC Notice 55-701) and similar rules and regulations in other applicable Canadian securities laws, and accordingly, with the intent that sales under the ASDP shall be exempt from subsection 76(1) of the Ontario Act and from liability under section 134 of the Ontario Act, from subsection 57.2 of the BC Act and from liability under section 136 of the BC Act, and from the corresponding provisions in other applicable Canadian securities laws; any material change in the terms of any securities of the Filer deposited into the ASDP shall be disclosed or reported in accordance with applicable securities laws;

9. Insiders are required to complete an election form to participate in and become subject to the terms of the ASDP including making certain representations to both the Filer and the Administrator;

10. Insiders who elect to participate in the ASDP (Participating Insiders) will be permitted to sell, in any given year, subject to minimum Common Share ownership requirements: (i) currently held Common Shares; (ii) Common Shares issuable to them upon vesting, in such year, of units granted under the LTIP; and (iii) Common Shares

issuable upon the exercise of their stock options; sales of Common Shares subject to the Plan will be effected by the Administrator in accordance with a fixed trading schedule;

11. as part of the ASDP enrolment form required to be provided by an Insider to participate, the Insider is required to elect the number of Common Shares, including the Common Shares issuable upon vesting of units granted under the LTIP and the Common Shares issuable upon exercise of the stock options, that will be subject to the ASDP; in addition, the Insider is permitted to set a minimum price for their Common Shares, below which the Common Shares will not be sold by the Administrator; once the enrolment form is received and accepted by the Filer and the Administrator and 90 days have elapsed, the Administrator will commence making dispositions of Common Shares;

12. in respect of the automatic exercise of stock options, the underlying Common Shares will be sold and in-the-money options will be automatically exercised during the trading period established under the ASDP; out-of-the-money options will not be exercised and will be held for exercise until the next trading period; in no case will options be exercised after the expiry date of the options;

13. the ASDP contains meaningful restrictions on the ability of the Insiders to enrol, terminate or modify their participation in the ASDP as recommended by OSC Notice 55-701;

14. at the time of enrolment, an Insider must be able to represent that they are not in possession of material undisclosed information about the Filer and that they are not entering the ASDP as part of a plan to evade the prohibitions against trading with material undisclosed information contained in applicable Canadian securities law;

15. if an Insider elects to enrol in the ASDP, once such enrolment is accepted by the Filer, the Administrator will attempt to exercise in-the-money options and sell the Participating Insider's Common Shares over four consecutive calendar quarters at any time during a period commencing on the first trading day and ending on the last trading day in a calendar quarter, beginning after 90 days have elapsed from the date that the Participating Insider's enrolment form together with all documentation required by the Filer and the Administrator to execute sales under the ASDP are received and accepted; a Participating Insider's trading instructions remain in effect until such Participating Insider amends or terminates his or her participation in the ASDP;

16. a Participating Insider may amend their trading instructions to modify the minimum price in a given year by submitting a revised enrolment form or terminate their participation in the ASDP by submitting a withdrawal and termination form to the Filer; in order to submit a revised enrolment form or a withdrawal and termination form in respect of an amendment to or termination of a Participating Insider's participation in the ASDP, there must be no Filer-imposed "black out" period in effect and the Participating Insider must represent that they are not in possession of material undisclosed information relating to the Filer; any amendment will only become effective after 90 days have elapsed from the date that the Filer receives the enrolment form; any termination will become effective after 30 days have elapsed from the date that the Filer receives the withdrawal and termination form; if the Participating Insider voluntarily terminates their participation in the ASDP, such Participating Insider may not re-enrol in the ASDP until at least six months have elapsed following such termination;

17. for any enrolment, amendment or termination by a Participating Insider in the ASDP, the Filer will be required to certify that, to the best of the Filer's knowledge, the Participating Insider is not in possession of material undisclosed information concerning the Filer and is in compliance with the Filer's insider trading policy; and

18. subject to the limits described above, a Participating Insider's (i) currently held Common Shares; (ii) Common Shares issuable upon vesting of LTIP units; and (iii) Common Shares issuable upon the exercise of stock options made subject to the ASDP will be deposited into a sole purpose brokerage account by the Administrator; the Administrator will sell the Common Shares underlying the options and exercise the stock options held in the Participating Insider's plan account during four trading periods in a given year on a quarterly basis, such that a maximum of 25% of the Common Shares available for sale under the ASDP will be sold in each quarter, with any Common Shares not sold in such quarter available for sale in each subsequent quarter, in order for the Common Shares to be fully sold by the completion of the fourth applicable quarter.

Decision

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

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted provided that each Participating Insider shall file a report, in the form prescribed for insider trading reports under the Legislation, disclosing on a transaction-by-transaction basis or in "acceptable summary form" (as such term is defined in NI 55-104) all dispositions of Common Shares under the ASDP that have not been previously disclosed by or on behalf of the Participating Insider during a calendar year, on or before March 31 of the next calendar year.

"Martin Eady, CA"
Director, Corporate Finance
British Columbia Securities Commission

2.1.10 Lago Duorado Minerals Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 52-107, s. 5.1 Acceptable Accounting Principles and Auditing Standards – A reporting issuer wants to early adopt IFRS for purposes of preparing its financial statements – The issuer has assessed the readiness of its staff, board, audit committee, auditors and investors.

Applicable Legislative Provisions

National Instrument 52-107, s. 5.1.

January 31, 2011

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
LAGO DUORADO MINERALS LTD.
(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 of the principal regulator (the Legislation) exempting the Filer from the requirement in section 4.2(1) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (the Instrument) (the Exemption Sought) that financial statements be prepared in accordance with generally accepted accounting principles determined with reference to Part V of the Handbook of the Canadian Institute of Chartered Accountants (the Handbook) applicable to public enterprises (Old Canadian GAAP), in order that the Filer may prepare financial statements for periods ending on or after November 30, 2010 in accordance with generally accepted accounting principles determined with reference to Part I of the Handbook applicable to publicly accountable enterprises, that is International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS-IASB).

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

(a) the Ontario Securities Commission (OSC) 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 Alberta, British Columbia, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the Passport 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 *Canada Business Corporations Act* on May 21, 2009; the Filer's registered and head office is located at 2037 Long Lake Road, Unit 10A, Sudbury, Ontario, Canada, P3E 6J9.

2. The Filer is an exploration company focused on the exploration of gold and other minerals in South America. The Filer currently has property rights in the Brazilian state of Mato Grosso.

3. Pursuant to a pre-filing waiver application filed with the OSC on September 13, 2010, the Filer was granted exemptive relief (as evidenced by the receipt for a (final) prospectus dated November 8, 2010 (the Prospectus)) from certain of the requirements set out in the Instrument to allow the Filer to prepare financial statements to be included in the Prospectus in accordance with IFRS-IASB.

4. In connection with the Offering, the Filer included consolidated audited financial statements for the period beginning May 21, 2009 and ended May 31, 2010 and consolidated unaudited interim financial statements for the three month period ended August 31, 2010 (the Prospectus Financial Statements) in the Prospectus. The Prospectus Financial Statements were prepared in accordance with IFRS-IASB.

5. In connection with the Offering, the Filer filed the Prospectus and was issued a receipt by the OSC for such filing on November 8, 2010.

6. The Filer completed the Offering on November 16, 2010 and is a reporting issuer in the Jurisdiction and the Passport Jurisdictions. The Filer is not in default of its reporting issuer obligations under the Legislation or the securities legislation of the Passport Jurisdictions.

7. The Filer's common shares are listed on the TSX Venture Exchange under the symbol "LDM."

8. The Filer's financial year-end is May 31.

9. Absent an exemption, section 4.2(1) of the Instrument would require that the Filer's financial statements for periods relating to financial years beginning before (or prior to) January 1, 2011, other than acquisition statements, be prepared in accordance with Old Canadian GAAP.

10. The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to prepare their financial statements in accordance with IFRS-IASB for financial statements relating to financial years beginning on or after January 1, 2011.

11. In CSA Staff Notice 52-321 – *Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB*, staff of the Canadian Securities Administrators recognized that some issuers may wish to prepare their financial statements in accordance with IFRS-IASB for periods beginning prior to January 1, 2011 and indicated that staff were prepared to recommend exemptive relief on a case by case basis to permit a domestic issuer to do so.

12. Subject to obtaining the Exemption Sought, the Filer intends to prepare and file its financial statements to be filed for periods ending on or after November 30, 2010 in accordance with IFRS-IASB.

13. The Filer expended considerable resources in connection with the preparation and audit of the Prospectus Financial Statements in accordance with IFRS-IASB and the establishment of the necessary internal controls and procedures required of a reporting issuer. Having already expended these resources and established these controls and procedures, the Filer believes that requiring it to prepare financial statements in accordance with Old Canadian GAAP for its 2010 financial year only to then convert months later back to IFRS-IASB for the financial year commencing May 31, 2011 would be costly and time-consuming and would create significant inefficiencies with respect to the Filer's financial statement preparation process as well as the establishment and maintenance of its internal controls and procedures. The Filer also believes such a requirement would be confusing for investors.

14. The Filer believes that the preparation and filing of its financial statements to be filed for periods ending on or after November 30, 2010 (and its related disclosure practices for its 2010 financial year) in accordance with IFRS-IASB will benefit the Filer and its investors by offering continuity in form, presentation and public disclosure of its financial information consistent with the form, presentation and public disclosure of the Prospectus Financial Statements.

15. The Filer had carefully assessed the readiness of its staff, its board of directors, auditors, investors and other market participants for the adoption by the Filer of IFRS-IASB for financial periods beginning on May 21, 2009 and thereafter and concluded that all parties were adequately prepared for the Filer's adoption of IFRS-IASB for such financial periods.

16. The Filer considered the implications of early adoption of IFRS-IASB on its obligations under securities legislation including, but not limited to, those relating to CEO and CFO certifications, business acquisition reports, offering documents, and previously released material forward looking information, to the extent applicable.

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 the Filer prepares its financial statements for financial periods ending on or after November 30, 2010 in accordance with IFRS-IASB and complies with Part 3 of the Instrument.

"Michael Brown"
Assistant Manager
Ontario Securities Commission

2.1.11 Fiera Sceptre Inc.

Headnote

NP 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from s. 13.5(2)(b) of NI 31-103 to permit inter-fund trades between public mutual funds, closed-end funds, pooled funds and managed accounts – inter-fund trades will comply with conditions in s. 6.1(2) of NI 81-107 including IRC approval or client consent – trades involving exchange-traded securities are permitted to occur at last sale price as defined in the Universal Market Integrity Rules – relief also subject to pricing and transparency conditions. Exemption also granted from conflict of interest trading prohibition in paragraph 13.5(2)(b) of NI 31-103 to permit in-specie subscriptions and redemptions by separately managed accounts, closed-end funds and pooled funds in pooled funds – Portfolio manager of managed accounts is also portfolio manager of pooled funds and is therefore a "responsible person" – Relief subject to certain conditions.

Applicable Legislative Provisions

National Instrument 31-103 – Registration Requirements and Exemptions – ss. 13.5, 15.1.
National Instrument 81-107 – Independent Review Committee for Investment Funds – ss. 6.1(2), 6.1(4).

February 1, 2011

IN THE MATTER OF
THE SECURITIES LEGISLATION OF QUÉBEC AND ONTARIO
(THE JURISDICTIONS)

AND

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

AND

IN THE MATTER OF
FIERA SCEPTRE INC.
(THE FILER)

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (**Decision Maker**) has received an application (the **Application**) from the Filer for a decision (the **Requested Relief**) under the securities legislation of the Jurisdictions (the **Legislation**) that the Filer, or an affiliate of the Filer, when acting as the manager and/or portfolio adviser to:

1. an existing or future mutual fund to which National Instrument 81-102 *Mutual Funds* (**NI 81-102**) applies (each, an **NI 81-102** Fund and collectively, the **NI 81-102 Funds**);

2. an existing or future investment fund to which neither NI 81-102 nor National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**) applies (each, a **Pooled Fund** and collectively, the **Pooled Funds**);

3. an existing or future investment fund to which NI 81-107, but not NI 81-102, applies (each, a **Closed-End Fund** and collectively, the **Closed-End Funds**);

4. a fully managed account advised by the Filer, or one of its affiliates, (all such present and future clients being referred to herein as **Managed Accounts**);

be exempted pursuant to section 15.1 of National Instrument 31-103 *Registration Requirements and Exemptions* (**NI 31-103**) from the prohibition contained in section 13.5(2)(b) of NI 31-103 to permit:

(a) the purchase or sale of securities of any issuer:

(i) by an NI 81-102 Fund to or from a Pooled Fund;

(ii) by a Pooled Fund to or from an NI 81-102 Fund, another Pooled Fund or a Closed-End Fund;

(iii) by a Closed-End Fund to or from a Pooled Fund; or

(iv) by a Managed Account to or from a Fund (as defined below).

collectively, **Non-Exempt Inter-Fund Trades**;

(b) the purchase or sale of securities of any issuer:

(i) by an NI 81-102 Fund to or from another NI 81-102 Fund or a Closed-End Fund; or

(ii) by a Closed-End Fund to or from another Closed-End Fund or NI 81-102 Fund.

collectively, **Exempt Inter-Fund Trades**, in each case at the last sale price, as defined in the Market Integrity Rules of the Investment Industry Regulatory Organization of Canada, prior to the execution of the trade (the **Last Sale Price**) in lieu of the closing sale price (the **Closing Sale Price**) contemplated by the definition of current market price of the security in subparagraph 6.1(1)(a)(i) of NI 81-107 on that trading day where the securities involved are exchange-traded securities (which term shall include Canadian and foreign exchange-traded securities); and

(c) making payment, in whole or in part, for:

(i) the purchase by a Client (as defined below) (other than an NI 81-102 Fund) of securities of a Pooled Fund through good delivery by such Client to the Pooled Fund of securities that meet the investment criteria of the Pooled Fund; or

(ii) the redemption by a Client (other than an NI 81-102 Fund) of securities of a Pooled Fund through good delivery of securities by the Pooled Fund to such Client.

each such purchase or redemption being an **In-Specie Transaction**.

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

(a) the Autorité des marchés financiers is the principal regulator for the Application on the basis that the head office of the Filer is located in Montreal, Québec;

(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 by all provinces and territories of Canada (except for Québec and Ontario) (the **Passport Jurisdictions**); 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 MI 11-102, National Instrument 14-101 *Definitions*, NI 31-103, NI 81-102 or NI 81-107 have the same respective meanings in this application unless otherwise defined.

The Non-Exempt Inter-Fund Trades and the Exempt Inter-Fund Trades are referred to herein collectively as **Inter-Fund Trades**.

The NI 81-102 **Funds**, Pooled Funds and Closed-End Funds are referred to as the Funds. The Funds and the Managed Account Clients (as defined below) are referred to as the **Clients**.

Representations

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

The Filer

1. The Filer is a corporation governed by the *Business Corporations Act* (Ontario). Although the registered office of the Filer is located in Toronto, Ontario, its head office is located in Montréal, Québec.

2. The Filer is registered in:

   (a) Québec as an investment fund manager, an exempt market dealer, a portfolio manager and a derivatives portfolio manager;

   (b) Ontario as an investment fund manager, an exempt market dealer, a portfolio manager and a commodity trading manager; and

   (c) each of the other provinces and territories of Canada as an exempt market dealer and a portfolio manager.

3. The Filer, or an affiliate of the Filer, is, or will be, the manager and/or portfolio adviser of each of the NI 81-102 Funds, Pooled Funds and Closed-End Funds.

4. Each NI 81-102 Fund and Closed-End Fund is, or will be, a reporting issuer under the securities legislation of one or more Jurisdictions.

5. Each Pooled Fund is not, and will not be, a reporting issuer under the securities legislation of any Jurisdiction.

6. Securities of the Pooled Funds are, or will be, distributed to investors in one or more of the Jurisdictions pursuant to exemptions from the prospectus requirements in accordance with National Instrument 45-106 *Prospectus and Registration Exemptions*.

7. Neither the Filer, the existing NI 81-102 Funds, the existing Pooled Funds nor the existing Closed-End Fund are in default of securities legislation in any of the Jurisdictions.

8. Each Fund may be an associate of a responsible person of a Client, or an investment fund for which a responsible person of a Client acts as an adviser.

Managed Accounts

9. The Filer or an affiliate of the Filer, offers discretionary portfolio management services to clients seeking wealth management or related services and may provide such services to future clients (all such present and future clients being referred to herein as **Managed Account Clients**). Discretionary portfolio management services are provided to each Managed Account Client under a written agreement (a **Managed Account Agreement**) in connection with the Managed Account of the Managed Account Client with the Filer.

10. Pursuant to the Managed Account Agreements, the Filer, acting as portfolio manager, makes investment decisions for each Managed Account and has full discretionary authority to trade in securities for each Managed Account without obtaining the specific consent or instructions of the Managed Account Client to the trade.

11. The portfolio management services provided by the Filer to each Managed Account Client include the following:

   (a) each Managed Account Client executes a Managed Account Agreement whereby the Managed Account Client authorizes the Filer to supervise, manage and direct purchases and sales in the Managed Account, at the Filer's full discretion on a continuing basis;

   (b) the Filer's qualified employees perform investment research, securities selection and portfolio management functions with respect to all securities, investments, cash and cash equivalents, derivatives and other assets in the Managed Account;

   (c) each Managed Account holds securities, derivatives and other investments as selected by the Filer in its sole discretion; and

   (d) the Filer retains overall responsibility for the advice provided to its Managed Account Clients and has designated a senior officer to oversee and supervise the Managed Accounts.

Inter-Fund Trades

12. Because of the various investment objectives, strategies and parameters of the Clients, it may be appropriate for one or more Clients to acquire securities of an issuer while one or more other Clients are simultaneously disposing of the same securities. In these circumstances, the Filer may wish to cause a Client to engage in an Inter-Fund Trade of the securities with another Client.

13. At the time of each Inter-Fund Trade, the Filer will have in place policies and procedures governing such transactions.

14. An Inter-Fund Trade will be implemented by the Filer, or an affiliate of the Filer, on behalf of the applicable Funds and Managed Accounts as follows:

    (a) the Filer, or an affiliate of the Filer, as portfolio manager, will deliver the trade instructions in respect of a purchase or sale of a portfolio security by the applicable Fund or Managed Account to a trader on a trading desk with a registered dealer;

    (b) the Filer, or an affiliate of the Filer, as portfolio manager, will deliver the trade instructions in respect of a sale or purchase of a portfolio security by another Fund or Managed Account to a trader on a trading desk with a registered dealer;

    (c) the trader will be required to execute the trade on a timely basis as an Inter-Fund Trade between the applicable Funds or between a Fund and a Managed Account in accordance with the requirements of paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107 provided that for exchange-traded securities, the Inter-Fund Trade may be executed at the Last Sale Price of the security prior to the execution of the trade (or, as may be instructed by the Filer, or an affiliate of the Filer, at the Closing Sale Price); and

    (d) the trader will advise the Filer, or an affiliate of the Filer, of the price at which the Inter-Fund Trade occurred.

15. The Filer, or an affiliate of a Filer, cannot rely on the exemption from the Legislation under Section 6.1(4) of NI 81-107 to engage in an Inter-Fund Trade unless both parties are investment funds to which NI 81-107 applies, and the Inter-Fund Trade occurs at the current market price which, in the case of exchange-traded securities, includes the Closing Sale Price but not the Last Sale Price.

16. Each Inter-Fund Trade to which an NI 81-102 Fund or a Closed-End Fund is a party will be referred to the independent review committee (the **IRC**) of such Fund in accordance with section 5.2(1) of NI 81-107.

17. Though the Pooled Funds are not subject to the requirements of NI 81-107, each Pooled Fund will have an IRC at the time of each Inter-Fund Trade to which the Pooled Fund is a party. The IRC of the Pooled Fund will be composed in accordance with section 3.7 of NI 81-107 and will comply with the standard of care set out in section 3.9 of NI 81-107. The mandate of the IRC of a Pooled Fund will include approving Inter-Fund Trades to which the Pooled Fund is a party. The IRC of a Pooled Fund will not approve an Inter-Fund Trade to which the Pooled Fund is a party unless the IRC of the Pooled Fund has made the determination in the same manner as set out in section 5.2(2) of NI 81-107.

18. At the time of each Inter-Fund Trade to which a Managed Account is a party, the Managed Account Agreement or other documentation relating to such Managed Account will contain the authorization from the Managed Account Client for the portfolio manager of the Managed Account to engage in Inter-Fund Trades with Funds.

19. Each Inter-Fund Trade will comply with paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107, other than the Inter-Fund Trade may be executed at the Last Sale Price in respect of exchange-traded securities.

In-Specie Transactions

20. Investments in individual securities may, at certain times, not be appropriate in certain circumstances for the Filer's Managed Account Clients. Consequently, from time to time the Filer may wish to invest assets of Managed Account Clients in securities of one or more of the Pooled Funds in order to provide Managed Account Clients with the benefits of asset diversification, access to investment products with very high minimum investment levels and economies of scale regarding minimum commission charges on portfolio trades, as well as to generally facilitate portfolio management.

21. The Filer wishes to be able to pay for securities of Pooled Funds purchased by Managed Account Clients, in whole or in part, by making good delivery to the Pooled Fund of securities held by such Managed Account, provided those securities meet the investment criteria of the Pooled Fund. The Filer anticipates that the In-Specie Transactions described in this paragraph will occur most commonly when the Managed Account is newly established and the Filer believes that the Managed Account Client will be better served by holdings securities of one or more Pooled Funds rather than continuing to directly hold individual securities.

22. Similarly, following a redemption of securities of a Pooled Fund by a Managed Account Client, the Filer wishes to be able to pay the redemption price of such securities, in whole or in part, by making good delivery to the Managed Account of securities held in the investment portfolio of the Pooled Fund. The Filer anticipates that the In-Specie Transactions described in this paragraph will occur most commonly after the Managed Account Client has experienced

a change in circumstances which results in the Managed Account being a candidate for direct holdings of individual securities rather than securities of the Pooled Fund or at the request of a Managed Account Client when such client wishes to have its account managed by another portfolio manager.

23. In addition to In-Specie Transactions involving Managed Account Clients, the Filer wishes to be able to enter into In-Specie Transactions for the purchase or redemption of securities of a Pooled Fund by another Pooled Fund or Closed-End Fund. This will occur most commonly when, as part of its portfolio management, the Filer wishes to obtain exposure for another Pooled Fund or Closed-End Fund to certain investments, asset classes or investment strategies of the Pooled Fund by investing in securities of that Pooled Fund. These In-Specie Transactions will facilitate the creation or reduction of such exposure.

24. At the time of each In-Specie Transaction, the Filer will have in place policies and procedures governing such transactions.

Decision

Each of the Decision Makers is satisfied that the decision meets the relevant 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 Requested Relief is granted, provided that:

(i) with respect to Inter-Fund Trades:

(a) the Inter-Fund Trade is consistent with the investment objective of the Fund or the Managed Account;

(b) the manager of a Fund refers the Inter-Fund Trade to the IRC of the Fund in the manner contemplated by section 5.1 of NI 81-107 and the manager of the Fund complies with section 5.4 of NI 81-107 in respect of any standing instructions an IRC provides in connection with the Inter-Fund Trade;

(c) in the case of an Inter-Fund Trade between Funds:

(i) the IRC of each Fund that is a party to an Inter-Fund Trade has approved the Inter-Fund Trade in accordance with the terms of section 5.2(2) of NI 81-107;

(ii) the Inter-Fund Trade complies with paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107, except that for purposes of paragraph (e) of Subsection 6.1(2) in respect of exchange-traded securities, the Inter-Fund Trade may be executed at the Last Sale Price.

(d) in the case of an Inter-Fund Trade between a Managed Account and a Fund:

(i) the IRC of each Fund that is a party to an Inter-Fund Trade has approved the Inter-Fund Trade in accordance with the terms of section 5.2(2) of NI 81-107;

(ii) the Managed Account Agreement or other documentation relating to such Managed Account authorizes the transaction and such authorization has not been revoked; and

(iii) each Inter-Fund Trade complies with paragraphs (c) to (g) of subsection 6.1(2) of NI 81-107, except that for purposes of paragraph (e) of Subsection 6.1(2) in respect of exchange-traded securities, the Inter-Fund Trade may be executed at the Last Sale Price.

(ii) with respect to In-Specie Transactions:

(a) where a Fund (other than an NI 81-102 Fund) acquires securities of a Pooled Fund:

(i) the Fund acquiring the securities would, at the time of payment, be permitted to purchase the securities;

(ii) the securities are acceptable to the Filer as the portfolio manager of the Fund and are consistent with the investment objective of the Fund acquiring the securities;

(iii) the value of the securities is equal to the issue price of the securities of the Fund valued as if the securities were portfolio assets of that Fund; and

(iv) each Fund will keep written records of each In-Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered to the Fund and the value assigned to such securities for five years after the end of the financial year, the most recent two years in a reasonably accessible place.

(b) where a Fund (other than an NI 81-102 Fund) redeems securities of a Pooled Fund:

(i) the securities are acceptable to the Filer as the portfolio manager of the Fund and consistent with the investment objective of the Fund;

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

(iii) each Fund will keep written records of each In-Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered by the Fund and the value assigned to such securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place.

(c) where a Managed Account acquires securities of a Pooled Fund:

(i) the Managed Account Agreement or other documentation relating to such Managed Account authorizes the In-Specie Transaction and such authorization has not been revoked;

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

(iii) the securities are acceptable to the Filer as portfolio manager and are consistent with the investment objective of the Fund;

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

(v) the account statement next prepared for the Managed Account will describe the securities delivered to the Fund and the value assigned to such securities; and

(vi) the Fund will keep written records of each In-Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered to the Fund and the value assigned to such securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place.

(d) where a Managed Account redeems securities of a Pooled Fund:

(i) the Managed Account Agreement or other documentation relating to such Managed Account authorizes the In-Specie Transaction and such authorization has not been revoked;

(ii) the securities meet the investment criteria of the Managed Account acquiring the securities and are acceptable to the Filer;

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

(iv) the account statement next prepared for the Managed Account will describe the securities delivered to the Managed Account and the value assigned to such securities; and

(v) the Fund will keep written records of each In-Specie Transaction in a financial year of the Fund, reflecting details of the securities delivered by the Fund and the value assigned to such securities, for five years after the end of the financial year, the most recent two years in a reasonably accessible place.

(e) the Filer does not receive any compensation in respect of any In-Specie Transaction and, in respect of any delivery of securities further to an In-Specie Transaction, the only charges paid by the Managed Account or Fund, as applicable, is the commission charged by the dealer executing the trade and/or any administrative charges levied by the custodian.

"Mario Albert"
Superintendent, Client Services, Compensation and Distribution

2.1.12 Canadian Life Companies Split Corp. and Quadravest Capital Management Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Investment fund, and its manager, exempted from the dealer registration requirement for certain trading activities to be carried out in connection with a rights offering by the investment fund – Trading activities to consist of the distribution of a rights offering circular, and rights to acquire units of the fund, to existing holders of securities of the fund, and the subsequent distribution of units to holders of rights, upon their exercise, through an appropriately registered dealer.

Applicable Legislative Provisions

Securities Act, R.S.O., c. S.5, as am., s. 25(1) and 74(1).
Multilateral Instrument 11-102 Passport System, s. 4.7(1).
National Instrument 45-101 Rights Offerings.
National Instrument 81-102 Mutual Funds.
National Instrument 45-106 Prospectus and Registration Exemptions, ss. 2.1, 3.1, 3.42, 8.5.

February 1, 2011

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
CANADIAN LIFE COMPANIES SPLIT CORP.
(THE FUND) AND
QUADRAVEST CAPITAL MANAGEMENT INC.
(THE MANAGER)(COLLECTIVELY, THE FILERS)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filers for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) exempting the Filers from the dealer registration requirement in the Legislation in respect of certain trades (the **Rights Offering Activities**) to be carried out by the Manager, on behalf of the Fund, in connection with a proposed distribution (the **Rights Offering**) of rights (the **Rights**) to acquire units of the Fund (the **Units**), to be made in Ontario and each of the Passport Jurisdictions (as defined below) pursuant to a rights offering circular (the **Rights Circular**), in reliance upon the prospectus exemption (the **"rights offering prospectus exemption"**) contained in section 2.1 [*Rights offering*] of National Instrument 45-106 *Prospectus and Registration Exemptions* (**NI 45-106**).

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

1. the Ontario Securities Commission is the principal regulator for this application; and

2. each 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 British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (collectively, the **Passport 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 Filers:

1. The Fund is a corporation incorporated under the laws of Ontario. The Fund is a reporting issuer in each of the provinces and territories of Canada, and is not in default of the securities legislation in any jurisdiction.

2. The Manager acts as the investment fund manager for the Fund.

3. The head office of each of the Filers is located in Toronto, Ontario.

4. While the Fund is technically considered to be a mutual fund under the applicable securities legislation of the provinces and territories of Canada, it is not a conventional mutual fund and has obtained exemptions from certain requirements of National Instrument 81-102 Mutual Funds.

5. The authorized capital of the Fund consists of an unlimited number of Preferred Shares (**the Preferred Shares**), an unlimited number of Class A Shares (**the Class A Shares**), and 1,000 Class B Shares. The Preferred Shares and Class A Shares are listed and posted for trading on the Toronto Stock Exchange (the **TSX**). The Preferred Shares and the Class A Shares are issued only on the basis that an equal number of Preferred Shares and Class A Shares will be issued and outstanding at all times. Each Unit comprises one Preferred Share and one Class A Share.

6. The Fund is subject to certain investment restrictions that, among other things, limit the equity securities and other securities that the Fund may acquire for its investment portfolio. The Fund may write call options and put options in accordance with its investment objectives, investment guidelines and investment restrictions.

7. The investment objectives of the Fund are to: (i) provide holders of Preferred Shares with fixed cumulative preferential monthly cash dividends, (ii) provide holders of Class A Shares with regular monthly cash distributions, and (iii) return the original issue price of the Preferred Shares and Class A Shares at the time of the redemption of such shares.

8. The investment portfolio of the Fund now consists, and will consist, primarily of shares of the following publicly traded Canadian life insurance companies (each of whose shares will generally represent no less than 10 percent and no more than 30 percent of the net asset value (**NAV**) of the Fund): Great-West Lifeco Inc, Industrial Alliance Insurance and Financial Services Inc., Manulife Financial Corporation, and Sun Life Financial Inc. Up to 20 percent of the NAV of the Fund may be invested in equity securities of foreign life insurance companies or other Canadian or foreign financial services corporations.

9. On April 18, 2005 and on May 4, 2005, the Fund closed its initial public offering of Preferred Shares and Class A Shares pursuant to a (final) prospectus dated March 30, 2005. On March 9, 2006 and on March 29, 2006, the Fund issued additional Preferred Shares and Class A Shares pursuant to a (final) long form prospectus dated February 27, 2006. On January 15, 2010, the Fund issued to Class A Shareholders warrants to subscribe for and purchase Units, pursuant to a (final) short form prospectus dated January 4, 2010.

10. The Fund does not engage in the continuous distribution of its securities.

11. Under the Rights Offering, each holder of Class A Shares, as at a specified record date, will be entitled to receive, for no consideration, one Right for each Class A Share held by the holder.

12. Holders of the Rights will be entitled, upon their exercise of the Rights, to subscribe for Units, pursuant to subscription privileges provided for in the Rights, at a subscription price to be specified in the Rights Circular. Four Rights will entitle the holder to subscribe for one Unit under a basic subscription privilege. Holders of Rights who exercise their Rights under the basic subscription privilege may also subscribe, pro rata, for additional Units that are not subscribed for by other holders under the basic subscription privilege, pursuant to the terms of an additional subscription privilege. The term for the exercise of the Rights (including both the basic subscription privilege and additional subscription privilege) will not exceed 90 days after the acceptance date, as defined under National Instrument 45-101 *Rights Offerings*.

13. The Fund has applied to list on the TSX the Rights to be distributed under the Rights Offering.

14. The Rights Offering Activities will consist of:

    (a) the distribution of the Rights Circular and the issuance of Rights to holders of Class A Shares (as at the record date specified in the Rights Circular), after the Rights Circular has been filed under the securities legislation of Ontario and each of the Passport Jurisdictions and the applicable requirements of the rights offering exemption have been satisfied; and

    (b) the distribution of Units to holders of the Rights, upon the exercise of the Rights by the holders, through a registered dealer that is registered in a category that permits the registered dealer to make this distribution.

15. The Fund is in the business of trading by virtue of its portfolio investing and trading activities. As a result, its capital raising activities, including the Rights Offering, would require the Filers to register as a dealer in the absence of this decision (or another available exemption from the dealer registration requirement).

16. Section 8.5 NI 45-106 provides that, after March 26, 2010, the exemptions from the dealer registration requirements set out in sections 3.1 [*Rights offering*] and section 3.42 [*Conversion, exchange, or exercise*] of NI 45-106 no longer apply.

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 Fund, and Manager acting on behalf of the Fund, are not subject to the dealer registration requirement in respect of the Rights Offering Activities.

"Kevin J Kelly"
Commissioner
Ontario Securities Commission

"E. P Kerwin"
Commissioner
Ontario Securities Commission

2.1.13 United Corporations Limited

February 8, 2011

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Reporting issuer seeking relief so that it can continue to file financial statements in accordance with old Canadian GAAP (rather than IFRS) for periods relating to the issuer's financial year beginning on April 1, 2011 and ending on March 31, 2012 and the issuer's financial year beginning on April 1, 2012 and ending on March 31, 2013 (collectively, the issuer's deferred financial years) – In particular, the issuer is seeking relief from the requirements in Part 3 of National Instrument 52-107 that would apply to financial statements for periods relating to the issuer's deferred financial years – The issuer is also seeking relief from the IFRS-related amendments to the continuous disclosure, prospectus, certification and audit committee rules (collectively, the rules) that came into force on January 1, 2011 and that would apply to periods relating to the issuer's deferred financial years – The issuer is an "investment company" as defined in Accounting Guideline 18 Investment Companies (AcG-18) in the Handbook of the Canadian Institute of Chartered Accountants – At its meeting on January 12, 2011, the Canadian Accounting Standards Board decided that investment companies, as defined in and applying AcG-18, will only be required to adopt IFRS for annual periods beginning on or after January 1, 2013 – Since Part 3 of National Instrument 52-107 and the IFRS-related amendments to the rules do not have a provision providing for a two-year deferral of the transition to IFRS for investment companies subject to NI 52-107 and the rules, the issuer has applied for the relief – Relief granted, subject to a number of conditions.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, Parts 3 and 4.
National Instrument 51-102 Continuous Disclosure Obligations.
National Instrument 41-101 General Prospectus Requirements.
National Instrument 44-101 Short Form Prospectus Distributions.
National Instrument 44-102 Shelf Distributions.
National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.
National Instrument 52-110 Audit Committees.

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
UNITED CORPORATIONS LIMITED
(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 of the principal regulator (the "**Legislation**") for an exemption (the "**Exemption Sought**") from:

(a) the requirements in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* ("**NI 52-107**") that apply to financial statements, financial information, operating statements and pro forma financial statements for periods relating to the Filer's financial year beginning on April 1, 2011 and ending on March 31, 2012 and the Filer's financial year beginning on April 1, 2012 and ending on March 31, 2013 (the "**Filer's deferred financial years**");

(b) the amendments to National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") related to International Financial Reporting Standards ("**IFRS**") that came into force on January 1, 2011 and that apply to documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Filer's deferred financial years;

(c) the IFRS-related amendments to National Instrument 41-101 *General Prospectus Requirements* ("**NI 41-101**") that came into force on January 1, 2011 and that apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;

(d) the IFRS-related amendments to National Instrument 44-101 *Short Form Prospectus*

Distributions ("**NI 44-101**") that came into force on January 1, 2011 and that apply to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus or an amendment to a final short form prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;

(e) the IFRS-related amendments to National Instrument 44-102 *Shelf Distributions* ("**NI 44-102"**) that came into force on January 1, 2011 and that apply to a preliminary base shelf prospectus, an amendment to a preliminary base shelf prospectus, a base shelf prospectus, an amendment to a base shelf prospectus or a shelf prospectus supplement of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;

(f) the IFRS-related amendments to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**") that came into force on January 1, 2011 and that apply to annual filings and interim filings for periods relating to the Filer's deferred financial years; and

(g) the IFRS-related amendments to National Instrument 52-110 *Audit Committees* ("**NI 52-110**") that came into force on January 1, 2011 and that apply to periods relating to the Filer's deferred financial years.

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

(a) the Ontario Securities Commission is the principal regulator for the 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 corporation governed by the *Canada Business Corporations Act*, with its registered and head office address located at 165 University Avenue, 10th Floor, Toronto, Ontario, M5H 3B8.

2. The Filer is a reporting issuer in Ontario and Quebec and is not in default of securities legislation in any jurisdiction. Although the Filer is not currently qualified to file a short form prospectus under NI 44-101 or a shelf prospectus under NI 44-102, it may wish to become qualified in the future.

3. The Filer is a closed-end investment company whose common shares trade on the Toronto Stock Exchange ("**TSX**") under the symbol "UNC" and whose preferred shares trade on the TSX under the symbols "UNC.PR.A", "UNC.PR.B" and "UNC.PR.C".

4. The Filer's fiscal year end is March 31.

5. The Filer is an "investment company" as defined in Accounting Guideline 18 *Investment Companies* ("**AcG-18**") in the Handbook of the Canadian Institute of Chartered Accountants (the "**Handbook**"). As such, the Filer applies AcG-18 in the preparation of its financial statements in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**") for public enterprises.

6. The Filer is not an investment fund as that term is defined in the *Securities Act* (Ontario).

7. As part of the changeover to IFRS in Canada, the Canadian Accounting Standards Board ("**AcSB**") has incorporated IFRS into the Handbook as Canadian GAAP for most publicly accountable enterprises. As a result, the Handbook contains two sets of standards for public companies:

   (a) Part 1 of the Handbook – Canadian GAAP for publicly accountable enterprises that applies for financial years beginning on or after January 1, 2011, and

   (b) Part V of the Handbook – Canadian GAAP for public enterprises that is the pre- changeover accounting standards ("**old Canadian GAAP**").

8. However, on October 1, 2010, the AcSB published amendments to Part 1 of the Handbook that provide a one-year deferral of the transition to IFRS for investment companies. The amendments require investment companies, as defined in and applying AcG-18, to adopt IFRS for annual periods beginning on or after January 1, 2012. Subsequently, at its meeting on January 12, 2011, the AcSB decided to extend the deferral for an additional year. The AcSB expects to issue the required amendments to Part 1 of the Handbook in March 2011 so that investment companies, as defined in and applying AcG-18, will only be required to adopt IFRS for annual periods beginning on or after January 1, 2013.

9. As part of the changeover to IFRS, NI 52-107 was repealed and replaced effective January 1, 2011. In the new version of NI 52-107,

   (a) Part 3 contains requirements based on IFRS and applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning on or after January 1, 2011, and

   (b) Part 4 contains requirements based on old Canadian GAAP and applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning before January 1, 2011.

10. Also as part of the changeover to IFRS, IFRS-related amendments were made to NI 51-102, NI 41-101, NI 44-101, NI 44-102, NI 52-109 and NI 52-110 (collectively, the "**Rules**") and these amendments came into force on January 1, 2011. Among other things, the amendments replace old Canadian GAAP terms and phrases with IFRS terms and phrases and contain IFRS-specific requirements. The amendment instruments for the Rules contain transition provisions that provide that the IFRS-related amendments only apply to documents required to be filed under the Rules for periods relating to financial years beginning on or after January 1, 2011. Thus, during the IFRS transition period,

    (a) issuers filing financial statements prepared in accordance with old Canadian GAAP will be required to comply with the versions of the Rules that contain old Canadian GAAP terms and phrases, and

    (b) issuers filing financial statements that comply with IFRS will be required to comply with the versions of the Rules that contain IFRS terms and phrases and IFRS-specific requirements.

11. On October 8, 2010, the Canadian Securities Administrators (**CSA**) published CSA Staff Notice 81-320 *Update on International Financial Reporting Standards for Investment Funds* which indicated that, given the October 1, 2010 amendments to the Handbook that provided for a deferral of the transition to IFRS for investment companies, the CSA would defer finalizing IFRS-related amendments to rules related to investment funds.

12. NI 52-107 and the Rules apply to the Filer. Since Part 3 of NI 52-107 and the IFRS-related amendments to the Rules do not have a provision providing for a two-year deferral of the transition to IFRS for investment companies subject to NI 52-107 and the Rules, the Filer has applied for the Exemption Sought.

13. During the Filer's deferred financial years, the Filer will comply with section 1.13 of Form 51-102F1 *Management's Discussion and Analysis* ("**MD&A**") by providing an updated discussion of the Filer's preparations for changeover to IFRS in its annual and interim MD&A. In particular, the Filer will discuss the expected effect on the financial statements, or state that the effect cannot be reasonably estimated.

14. The Filer acknowledges that if the Exemption Sought is granted, the Filer:

    (a) will be subject to Part 3 of NI 52-107 and the IFRS-related amendments to the Rules for periods relating to financial years beginning on or after January 1, 2013, and

    (b) will not have the benefit of the 30 day extension to the deadline of filing the first interim financial report in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011, as set out in the IFRS-related amendments to NI 51-102, since that extension does not apply if the first interim financial report is in respect of an interim period ending after March 30, 2012.

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. the Filer continues to be an investment company, as defined in and applying AcG-18;

2. the Filer provides the communication as described and in the manner set out in paragraph 13 above;

3. the Filer complies with the requirements in Part 4 of NI 52-107 for all financial statements (including interim financial statements), financial information, operating statements and *pro forma* financial statements for periods relating to the Filer's deferred financial years, as if the expression "January 1, 2011" in subsection 4.1(2) were read as "January 1, 2013";

4. the Filer complies with the version of NI 51-102 that was in effect on December 31, 2010 (together with any amendments to NI 51-102 that are not

related to IFRS and that come into force after January 1, 2011) for all documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Filer's deferred financial years;

5. the Filer complies with the version of NI 41-101 that was in effect on December 31, 2010 (together with any amendments to NI 41-101 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary prospectus, amendment to a preliminary prospectus, final prospectus or amendment to a final prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;

6. the Filer complies with the version of NI 44-101 that was in effect on December 31, 2010 (together with any amendments to NI 44-101 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary short form prospectus, amendment to a preliminary short form prospectus, final short form prospectus or amendment to a final short form prospectus of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;

7. the Filer complies with the version of NI 44-102 that was in effect on December 31, 2010 (together with any amendments to NI 44-102 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary base shelf prospectus, amendment to a preliminary base shelf prospectus, base shelf prospectus, amendment to a base shelf prospectus or shelf prospectus supplement of the Filer which includes or incorporates by reference financial statements of the Filer in respect of periods relating to the Filer's deferred financial years;

8. the Filer complies with the version of NI 52-109 that was in effect on December 31, 2010 (together with any amendments to NI 52-109 that are not related to IFRS and that come into effect after January 1, 2011) for all annual filings and interim filings for periods relating to the Filer's deferred financial years;

9. the Filer complies with the version of NI 52-110 that was in effect on December 31, 2010 (together with any amendments to NI 52-110 that are not related to IFRS and that come into effect after January 1, 2011) for periods relating to the Filer's deferred financial years;

10. if, notwithstanding this decision, the Filer decides not to rely on the Exemption Sought and files an interim financial report prepared in accordance with IFRS for an interim period in a deferred financial year, the Filer must, at the same time:

    (a) restate, in accordance with IFRS, any interim financial statements for any previous interim period in the same deferred financial year (each, a "**Previous Interim Period**") that were originally prepared in accordance with old Canadian GAAP and filed pursuant to this decision, and

    (b) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous Interim Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the first interim period in the deferred financial year must include the opening IFRS statement of financial position at the date of transition to IFRS; and

11. if, notwithstanding this decision, the Filer decides not to rely on the Exemption Sought and files annual financial statements prepared in accordance with IFRS for a deferred financial year, the Filer must, at the same time (unless previously done pursuant to paragraph 10 immediately above):

    (a) restate, in accordance with IFRS, any interim financial statements for any Previous Period that were originally prepared in accordance with old Canadian GAAP and filed pursuant to this decision, and

    (b) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the first interim period in the deferred financial year must include the opening IFRS statement of financial position at the date of transition to IFRS.

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

2.1.14 Textron Financial Corporation

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application by United States issuer for a decision that it is not a reporting issuer – Only debt securities of the issuer are held by the public – Issuer is a wholly-owned subsidiary of United States parent company – Issuer has *de minimis* market presence in Canada – Residents of Canada do not beneficially own more than 2% of each class or series of outstanding securities of the issuer worldwide and do not comprise more than 2% of the total number of securityholders of the issuer worldwide – In the preceding 12 months, the issuer has not taken any steps that indicate there is a market for its securities in Canada – Certain of the issuer's debt securities are listed on the NYSE – The issuer has no current intention to distribute any securities to the public – Under United States securities law, exchange requirements and certain debt instruments relating to the debt securities, issuer is required to provide audited annual financial statements and unaudited interim financial statements – Issuer will provide to its holders of debt securities in Canada all disclosure material that is required to be provided to its holders of debt securities in the United States – Issuer issued a press release announcing that it had applied for a decision to be released from reporting issuer obligations in Canada – Requested relief granted.

Applicable Legislative Provisions

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

February 8, 2011

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

AND

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

AND

IN THE MATTER OF
TEXTRON FINANCIAL CORPORATION
(the "Filer")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (the "**Decision Maker**") has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that the Filer is not a reporting issuer (the "**Exemptive Relief Sought**").

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

(a) the Nova Scotia Securities Commission is the principal regulator for the application, and

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

Interpretation

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

Representations

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

1. The Filer is a corporation which was incorporated February 5, 1962, under the laws of the state of Delaware.

2. The Filer's head office is located at 40 Westminster Street, Providence, Rhode Island, 02903, United States.

3. The Filer is a diversified commercial finance company. The Filer's financing activities are offered primarily in North America. The Filer's operations are located primarily in the United States. There are no operations or management of the Filer located in Canada.

4. The Filer has been a reporting company under the United States *Securities Exchange Act of 1934*, as amended (the "**1934 Act**") since 1999 with respect to its debt securities. The Filer has filed with the United States Securities and Exchange Commission (the "**SEC**") all filings required to be made with the SEC under sections 13 and 15 (d) of the 1934 Act since it first became a reporting company.

5. The Filer became a reporting issuer in the Jurisdictions in December 2001 when it obtained a final receipt for a base prospectus and prospectus supplement each dated November 30, 2001 (collectively, the "**2001 Prospectus**") in the Jurisdictions in respect of (i) the issuance by the Filer of debt securities; and (ii) the issuance by Textron Financial Canada Funding Corporation ("**TFCFC**"), a wholly-owned subsidiary of the Filer, of debt securities guaranteed by the Filer.

6. All of the debt securities issued by TFCFC and guaranteed by the Filer under the 2001 Prospectus have matured and were repaid by TFCFC.

7. TFCFC ceased to be a reporting issuer in British Columbia on May 30, 2010, and in the other Jurisdictions on June 15, 2010. TFCFC is currently not a reporting issuer in any jurisdiction of Canada.

8. No debt securities issued by the Filer under the 2001 Prospectus are outstanding.

9. All of the shares of common stock in the capital of the Filer are owned by Textron Inc. ("**Textron**"), a publicly-owned Delaware corporation.

10. As at October 31, 2010, the Filer, in addition to intercompany debt and securitized debt which are not held by Canadian residents, had approximately U.S.$3.4 billion in outstanding debt, which included U.S.$1,740 million of debt owing pursuant to the Filer's existing credit facilities (the "**Bank Debt**") and U.S.$1,673 million of outstanding debt securities (the "**Debt Securities**"). The Debt Securities consist of:

    (a) U.S.$1,101,936,000 principal amount of fixed and floating rate medium term notes (the "**Medium Term Notes**"), comprising:

        (i) U.S.$100,000,000 principal amount of 5.125% medium-term notes, Series E, due 2014 (CUSIP No. 88319QG56) (the "**2014 Medium Term Notes**");

        (ii) U.S.$151,010,000 principal amount of 5.125% medium-term notes, Series E, due 2011 (CUSIP No. 88319QJ20);

        (iii) U.S.$50,450,000 principal amount of floating rate medium-term notes, Series F, due 2011 (CUSIP No. 88319QL35);

        (iv) U.S.$10,000,000 principal amount of 6.20% medium-term notes, Series E, due 2037 (CUSIP No. 88319QL68);

        (v) U.S.$100,000,000 principal amount of floating rate medium-term notes, Series F, due 2011 (CUSIP No. 88319QL92);

        (vi) U.S.$20,500,000 principal amount of floating rate medium-term notes, Series F, due 2011 (CUSIP No. 88319QM26);

        (vii) U.S.$100,000,000 principal amount of floating rate medium-term notes, Series F, due 2013 (CUSIP No. 88319QM34);

(viii) U.S.$350,000,000 principal amount of 5.40% medium-term notes, Series E, due 2013 (CUSIP No. 88319QM59);

(ix) U.S.$214,976,000 principal amount of 5.125% medium-term notes, Series F, due 2010 (CUSIP No. 88319QL84);[1] and

(x) U.S.$5,000,000 principal amount of floating rate medium-term notes, Series E, due 2010 (CUSIP No. 88319QK77);[2]

(b) U.S.$271,052,631 principal amount of fixed rate senior notes (the "**Senior Notes**"), comprising:

(i) U.S.$147,368,420 principal amount of 4.39% fixed rate senior notes due 2013;

(ii) U.S.$50,000,000 principal amount of 4.44% fixed rate senior notes, Series A, due 2013; and

(iii) U.S.$73,684,211 principal amount of 4.59% fixed rate senior notes, Series B, due 2017; and

(c) U.S.$300,000,000 principal amount of 6% fixed to floating rate junior subordinated notes, due 2067 (CUSIP No. 883199AR2) (the "**Subordinated Notes**").

11. The Medium Term Notes were issued in public offerings in the United States between 2004 and 2008 pursuant to (i) a shelf registration statement filed with the SEC (including a base shelf prospectus dated September 26, 2003, and prospectus supplement dated September 26, 2003); and (ii) a shelf registration statement filed with the SEC (including a base shelf prospectus dated November 16, 2006, and prospectus supplement dated November 16, 2006). The Senior Notes were offered on a private placement basis in 2004 and 2008 to institutional investors in the United States. The Subordinated Notes were offered on a private placement basis in 2007 to institutional investors.

12. The Filer has reviewed the documentation and payment instructions associated with the Bank Debt and has determined that all of the lenders in respect of such debt reside outside of Canada.

13. Based on (i) participant searches conducted by the Depository Trust Company ("**DTC**") relating to the Medium Term Notes and the Subordinated Notes (by CUSIP); (ii) geographical searches conducted by Broadridge Financial Solutions Inc. ("**Broadridge**") of its broker/dealer databases relating to the Medium Term Notes and the Subordinated Notes (by CUSIP); (iii) direct follow up inquiries made by the Filer with DTC participant holders not appearing in the Broadridge searches; and (iv) the register of holders of Senior Notes (for which the Filer acts as registrar), as of October 20, 2010:

(a) there are 12 resident Canadian beneficial owners of Medium Term Notes holding U.S.$550,564 aggregate principal amount of Medium Term Notes. Of these 12 resident Canadian beneficial owners, (i) seven are resident in Ontario and hold an aggregate of U.S.$123,000 principal amount of Medium Term Notes; (ii) two are resident in Alberta and hold an aggregate of U.S.$20,000 principal amount of Medium Term Notes; (iii) one is resident in New Brunswick and holds U.S.$25,000 principal amount of Medium Term Notes; and (iv) the province or territory of residence of two beneficial owners holding an aggregate principal amount of U.S.$382,564 of Medium Term Notes is unknown;

(b) there is one resident Canadian beneficial owner of Subordinated Notes holding an aggregate of U.S.$158,000 principal amount of the Subordinated Notes (who is also a resident Canadian beneficial owner of Medium Term Notes described in paragraph (a) above). The province or territory of residence of this resident Canadian beneficial owner is unknown;

(c) there are no resident Canadian beneficial owners of Senior Notes; and

(d) on a worldwide basis, there are a total of 5,183 beneficial owners of Debt Securities comprised of (i) 5,137 beneficial owners of Medium Term Notes; (ii) 16 beneficial owners of Subordinated Notes; and (iii) 30 beneficial owners of Senior Notes.

14. Based upon the above information and the diligent inquiries set out above, the Filer has concluded that:

(a) the outstanding securities of the Filer, including debt securities, are beneficially owned, directly or indirectly, by fewer than 15 securityholders in each of the jurisdictions in Canada and fewer than 51 securityholders in total in Canada;

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1 The medium-term notes with CUSIP No. 88319QL84 were repaid on November 1, 2010, and are no longer outstanding.

2 The floating rate medium-term notes with CUSIP No. 88319QK77 were repaid on November 8, 2010, and are no longer outstanding.

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

(c) residents of Canada do not directly or indirectly comprise more than 2% of the total number of securityholders of the Filer worldwide.

15. The Filer does not have any securities outstanding except for the debt securities described in paragraph 10 above, and its shares of common stock which are 100% owned by Textron.

16. The 2014 Medium Term Notes due August 15, 2014, are listed on the New York Stock Exchange (the "**NYSE**"). The Filer has not applied for listing of any other securities on the NYSE or any other marketplace (as defined in National Instrument 21-101 – *Marketplace Operation*); however, certain of the Medium Term Notes have been admitted to trading on the facilities of the NYSE (i.e., on the NYSE Bonds Platform), without the Filer having listed those securities on the NYSE. Except as noted above, no securities of the Filer are traded on a marketplace as defined in National Instrument 21-101 – Marketplace Operation.

17. The Filer has no current intention to distribute any securities to the public.

18. The Filer has no current intention to seek financing by way of a public offering of its securities.

19. In the preceding 12 months, the Filer has not taken any steps that indicate there is a market for its securities in Canada.

20. For as long as the Filer remains a reporting company under the 1934 Act, it will continue to comply with its reporting obligations in the United States and undertakes to concurrently deliver to its Canadian securityholders, all disclosure the Filer is required under U.S. securities law or exchange requirements to deliver to U.S. resident securityholders. During such period, the Filer's U.S. filings will continue to be available through EDGAR and the Filer will continue to post on its website its annual reports on Form 10-K, its quarterly reports on Form 10-Q and its current reports on Form 8-K.

21. In the event that the Filer terminates its reporting obligations under the 1934 Act, the Filer undertakes to continue to make publicly available its annual audited financial statements and quarterly unaudited financial statements for at least as long as the Medium Term Notes are outstanding. In addition, the Filer is contractually obligated under certain debt instruments relating to the Debt Securities to provide annual audited and quarterly unaudited financial statements to the holders of such Debt Securities. The Filer intends to continue to make these statements available to the holders of the Debt Securities on its website and to provide copies of such statements as required and upon request in accordance with the documentation governing the Debt Securities.

22. The Filer's parent company, Textron, is and will continue to be a reporting company in the United States and will post on its website and file on its EDGAR file, its annual audited financial statements and quarterly unaudited financial statements. Textron's audited financial statements and quarterly unaudited financial statements include information for its finance business segment, which consists principally of the business and operations of the Filer.

23. On December 29, 2010, the Filer issued and filed a news release announcing that the Filer had applied to the Decision Makers for a decision that it is not a reporting issuer in the Jurisdictions and that if the decision is granted, the Filer will not be a reporting issuer in any jurisdiction in Canada. The press release was disseminated in Canada.

24. The Filer is not in default of any of its obligations under the Legislation as a reporting issuer.

25. Upon the granting of the Exemptive Relief Sought, the Filer will not be a reporting issuer or the equivalent in any jurisdiction of Canada.

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 Exemptive Relief Sought is granted.

"H. Leslie O'Brien"
Chair
Nova Scotia Securities Commission

"Sarah Bradley"
Vice Chair
Nova Scotia Securities Commission

2.1.15 Retrocom Mid-Market Real Estate Investment Trust

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Multilateral Instrument 61-101, s. 9.1 Protection of Minority Security Holders in Special Transactions – issuer is a real estate investment trust which holds all of its properties through limited partnership – entity holds units in limited partnership which are exchangeable into and in all material respects the economic equivalent to the issuer's publicly traded units – issuer may include entity's indirect interest in issuer when calculating market capitalization for the purposes of using the 25% market capitalization exemption for certain related party transactions.

Applicable Legislative Provisions

Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions, ss. 5.5(a), 5.7(a), 9.1.

February 9, 2011

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
RETROCOM MID-MARKET REAL ESTATE
INVESTMENT TRUST
(the "Filer")

DECISION

Background

The securities regulatory authority or regulator in the Jurisdiction ("**Decision Maker**") has received an application (the "**Application**") from the Filer for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") that the Filer be granted an exemption pursuant to section 9.1 of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") from the minority approval and formal valuation requirements under Part 5 of MI 61-101 relating to any related party transaction of the Filer entered into indirectly through Retrocom Limited Partnership ("**Retrocom LP**") or any other subsidiary entity (as such term is defined in MI 61-101) of Retrocom LP, if that transaction would qualify for the transaction size exemptions set out in sections 5.5(a) and 5.7(a) of MI 61-101 if the indirect equity interest in the Filer, which is currently held by MRR Investors Limited Partnership No. 1, MRR Investors Limited Partnership No. 2, MRR Investors Limited Partnership No. 3, MRR Investors Limited Partnership No. 4, MRR Investors Limited Partnership No. 5, and MRR Investors Limited Partnership No. 6, (collectively, the "**SC/MMR Group**"), in the form of limited partnership units of Retrocom LP, were included in the calculation of the Filer's market capitalization (the "**Requested Relief**").

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

(a) The Ontario Securities Commission is the principal regulator for the 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 Québec.

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 an unincorporated, open-ended real estate investment trust established under the laws of the Province of Ontario. The Filer was established pursuant to a declaration of trust dated December 15, 2003, as amended.

2. The Filer's head office is located at 700 Applewood Crescent, Suite 300, Vaughan, Ontario L4K 5X3.

3. The Filer is a reporting issuer (or the equivalent thereof) in each of the Jurisdictions and is not in default of any applicable requirements of the securities legislation thereunder.

4. The Filer is authorized to issue an unlimited number of trust units ("**Units**") and an unlimited number of special voting units ("**Special Voting Units**"). As at the date hereof, the Filer had 23,951,848 Units and 9,110,268 Special Voting Units issued and outstanding. The number of Special Voting Units outstanding at any point in time is equivalent to, and accompanies, the number of Exchangeable LP Units (defined below) issued and outstanding.

5. The Units are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the trading symbol "RMM.UN".

6. Retrocom LP is a limited partnership formed under the laws of the Province of Ontario and is governed by the limited partnership agreement of Retrocom LP dated February 11, 2004, as amended. Retrocom LP's head office is located at 700 Applewood Crescent, Suite 300, Vaughan, Ontario L4K 5X3.

7. Retrocom LP is not a reporting issuer (or the equivalent thereof) in any jurisdiction and none of its securities are listed or posted for trading on any stock exchange or other market.

8. Retrocom LP is authorized to issue an unlimited number of Class A limited partnership units ("**Class A Units**"), of which 1,407,064,116 Class A Units are issued and outstanding and held by the Filer, and an unlimited number of exchangeable Class B limited partnership units ("**Exchangeable LP Units**"), of which 9,110,268 Exchangeable LP Units are issued and outstanding and held by the SC/MRR Group. The Exchangeable LP Units were issued to SC/MRR Group in connection with the Filer's acquisition of 4 properties comprising the SmartCentres Portfolio (the "**SmartCentres Transaction**") from SC/MRR Group on July 8, 2008.

9. The SC/MRR Group is comprised of six limited partnerships formed for purposes of the SmartCentres Transaction. Mr. Mitchell Goldhar, owner of SmartCentres Inc. and SmartCentres Management Inc., is also the president of the general partner of each of such limited partnerships. As a result of the SmartCentres Transaction, there was a change in effective control of the Filer to the SC/MRR Group. As part of the SmartCentres Transaction, SmartCentres Management Inc. provides leasing, development and re-development services in respect of all of Retrocom LP's real estate assets and property management services for the 4 properties comprising the SmartCentres Portfolio. The Filer has regularly disclosed its relationship with SC/MRR Group and SmartCentres in its public filings.

10. The principal activity of Retrocom LP is to own income-producing real estate assets and it is the operating entity through which the Filer conducts its business.

11. The Filer currently holds 99.9% of the Class A Units of Retrocom LP. SC/MRR Group holds 100% of the Exchangeable LP Units. The 9,110,268 Special Voting Units and 9,110,268 Exchangeable LP Units held in aggregate by the SC/MMR Group represent, as of the date hereof, an approximately 33% voting and effective economic interest in the Filer (on a non-diluted basis).

12. The Exchangeable LP Units are, in all material respects, economically equivalent to the Units of the Filer:

    (a) The Exchangeable LP Units are not transferable (except to affiliates of the current holder or with the agreement of each of the limited partners and the general partner, and subject to certain other conditions) but are exchangeable on a one-for-one basis for Units at any time at the option of the holder thereof.

    (b) The distributions to be made on the Exchangeable LP Units are equal to the distributions that the holder of the Exchangeable LP Units would have received if it was holding Units that may be obtained upon the exchange of such Exchangeable LP Units.

    (c) Each Exchangeable LP Unit is accompanied by a Special Voting Unit of the Filer so that the holder of the Exchangeable LP Units are provided with voting rights on matters respecting the Filer equal to the number of

Units that may be obtained upon the exchange of the Exchangeable LP Unit to which such Special Voting Unit is attached.

13. If MI 61-101 applies to a related party transaction by an issuer and the transaction is not otherwise exempt:

    (a) the issuer must obtain a formal valuation of the transaction in a form satisfying the requirements of MI 61-101 by an independent valuator; and

    (b) the issuer must obtain approval of the transaction by disinterested holders of the affected securities of the issuer (together, requirements (a) and (b) are referred to as the "**Minority Protections**").

14. A related party transaction that is subject to MI 61-101 may be exempt from the Minority Protections if at the time the transaction is agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the transaction, exceeds 25% of the issuer's market capitalization.

15. The Filer may not be entitled to rely on the automatic size exemptions available under the Legislation from the requirements relating to related party transactions in the Legislation because the definition of market capitalization in the Legislation does not contemplate securities of another entity that are exchangeable into equity securities of the issuer.

16. The Exchangeable LP Units represent part of the equity value of the Filer and provide the holder of the Exchangeable LP Units with economic rights which are, as nearly as practicable, equivalent to the Units. The effect of SC/MRR Group's exchange right is that SC/MRR Group will receive Units upon the exchange of the Exchangeable LP Units. Moreover, the economic interests that underlie the Exchangeable LP Units are identical to those underlying the Units; namely, the assets held directly or indirectly by Retrocom LP.

17. If the Exchangeable LP Units are not included in the market capitalization of the Filer, the equity value of the Filer will be understated by the value of SC/MRR Group's limited partnership interest in Retrocom LP (approximately 33%). As a result, related party transactions by the Filer may be subject to the Minority Protections in circumstances where the fair market value of the transactions is effectively less than 25% of the fully diluted market capitalization of the Filer.

18. Section 1.4 of MI 61-101 treats an operating entity of an income fund on a consolidated basis with its parent trust entity for the purpose of determining which entities are related parties of the issuer and what transactions MI 61-101 should apply to. Therefore, it is consistent that securities of the operating entity, such as the Exchangeable LP Units, be treated on a consolidated basis for the purposes of the determining the market capitalization of the Filer under MI 61-101.

19. The inclusion of the Exchangeable LP Units when determining the Filer's market capitalization is consistent with the logic of including unlisted equity securities of the issuer which are convertible into listed securities of the issuer in determining an issuer's market capitalization in that both are securities that are considered part of the equity value of the issuer whose value is measured on the basis of the listed securities into which they are convertible or exchangeable.

Decision

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

The decision of the Decision Maker under the Legislation is that the Requested Relief be granted to the Filer provided that:

(a) the transaction would qualify for the market capitalization exemption contained in MI 61-101 if the Exchangeable LP Units were considered an outstanding class of equity securities of the Filer that were convertible into Units;

(b) there be no material change to the terms of the Exchangeable LP Units and the Special Voting Units, including the exchange rights associated therewith, as described above and in the Purchaser and Support Agreement dated April 30, 2008 and in the Exchange Agreement dated July 8, 2008, filed in connection with the SmartCentres Transaction; and

(c) any annual report or equivalent of the Filer that is required to be filed in accordance with applicable securities laws contain the following disclosure, with any immaterial modifications as the context may require:

"Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") provides a number of circumstances in which a transaction between an issuer and a related party may be subject to valuation and minority approval requirements. An exemption from such requirements is available when the fair market value of the transaction is not more than 25% of the market capitalization of the issuer. Retrocom Mid-Market Real Estate Investment Trust (the "**REIT**") has been granted exemptive relief from the requirements of MI 61-101 that, subject to certain conditions, permits it to be exempt from the minority approval and valuation requirements for transactions that would have a value of less than 25% of the REIT's market capitalization, if SC/MRR Group's indirect equity interest in the REIT is included in the calculation of the REIT's market capitalization. As a result, the 25% threshold, above which the minority approval and valuation requirements would apply, is increased to reflect the approximately 33% indirect interest in the REIT held by SC/MRR Group."

"Naizam Kanji"
Deputy Director, Corporate Finance
Ontario Securities Commission

2.1.16 Blue Ribbon Income Fund and Blue Ribbon Fund Management Ltd.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Investment fund, and its manager, exempted from the dealer registration requirement for certain trading activities to be carried out in connection with a warrant offering by the investment fund – Trading activities to consist of the distribution of a warrant prospectus, and warrants to acquire units of the fund, to existing holders of securities of the fund, and the subsequent distribution of units to holders of warrants, upon their exercise, through an appropriately registered dealer.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25(1), 74(1).
Multilateral Instrument 11-102 Passport System, s. 4.7(1).
National Instrument 45-106 Prospectus and Registration Exemptions, ss. 3.1, 3.42, 8.5.

February 8, 2011

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
BLUE RIBBON INCOME FUND
(the Fund), and
BLUE RIBBON FUND MANAGEMENT LTD.
(the Administrator) (collectively, the Filers)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filers for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) exempting the Filers from the dealer registration requirement in the Legislation in respect of certain trades (the **Warrant Offering Activities**) to be carried out by the Administrator, on behalf of the Fund, in connection with a proposed distribution (the **Warrant Offering**) of warrants (the **Warrants**) to acquire units (the **Units**) of the Fund, to be made pursuant to a short-form (final) prospectus (the **Warrant Prospectus**);

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

1. the Ontario Securities Commission is the principal regulator for this application; and

2. each 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 by the Filer in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (collectively, the **Passport 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 Filers:

1. The Fund is a trust established by declaration of trust under the laws of the province of Ontario.

2. The Fund is a reporting issuer in each of the provinces of Canada and is not in default of securities legislation in any jurisdiction.

3. The Administrator acts as the administrator for the Fund. The administrator has applied to the Ontario Securities Commission for registration under the *Securities Act* (Ontario) in the category of investment fund manager.

4. The head office of each of the Filers is located in Toronto, Ontario.

5. The Fund is not considered to be a mutual fund under securities legislation of the provinces of Canada.

6. The Fund is authorized to issue an unlimited number of Units. The Units are listed and posted for trading on the Toronto Stock Exchange (the **TSX**).

7. The Fund is subject to certain investment restrictions that, among other things, limit the securities that the Fund may acquire for its investment portfolio.

8. The investment objectives of the Fund are to provide holders of Units with a variable level of monthly cash distributions and the opportunity to participate in gains in the value of the investment portfolio.

9. The Fund's investment portfolio consists of publicly listed or traded securities (including installment receipts) issued by income trusts, royalty trusts, real estate investment trusts and limited partnerships, common equities, convertible debt, preferred securities, and debt instruments.

10. The Fund was formerly Citadel Diversified Investment Trust. Since changing its name to Blue Ribbon Income Fund as of November 20, 2009, the Fund issued to holders of Units warrants to subscribe for additional Units, pursuant to a final short form prospectus dated February 24, 2010. There are no warrants currently outstanding.

11. The Fund does not engage in the continuous distribution of its securities.

12. In connection with the Warrant Offering, the Fund filed a preliminary short form prospectus dated January 7, 2011, under the securities legislation of Ontario and each of the Passport Jurisdictions. A receipt was issued for the prospectus dated January 10, 2011. Under the Warrant Offering, each holder of Units, as at a specified record date, will be entitled to receive, for no consideration, two Warrants for every five Units held by such holder.

13. Holders of Warrants will be entitled, upon the exercise of such Warrants, to subscribe for Units, pursuant to subscription privileges provided for in the Warrants, at a subscription price to be specified in the Warrant Prospectus. Each Warrant will entitle the holder to subscribe for one Unit under a basic subscription privilege. Holders of Warrants who exercise Warrants under the basic subscription privilege may also subscribe, pro rata, for additional Units that are not subscribed for by other holders under the basic subscription privilege, pursuant to the terms of an additional subscription privilege. The term for the exercise of Warrants (including both the basic subscription privilege and the additional subscription privilege) will not exceed six months.

14. The Fund has applied to list the Warrants, to be distributed under the Warrant Prospectus, on the TSX.

15. The Warrant Offering Activities will consist of:

    (a) the distribution of the Warrant Prospectus and the issuance of Warrants to the holders of Units (as at the record date specified in the Warrant Prospectus), after the Warrant Prospectus has been filed, and receipts obtained, under the securities legislation of Ontario and each of the Passport Jurisdictions; and

    (b) the distribution of Units to holders of Warrants, upon the exercise of such Warrants by the holder, through a registered dealer that is registered in a category that permits the registered dealer to make such distribution.

16. The Fund is in the business of trading by virtue of its portfolio investing and trading activities. As a result, capital raising activities, including the Warrant Offering Activities, would require the Filers to register as a dealer in the absence of this decision (or another available exemption from the dealer registration requirement).

17. Section 8.5 of National Instrument 45-106 *Prospectus and Registration Exemptions* (**NI 45-106**) provides that, after March 26, 2010, the exemptions from the dealer registration requirements set out in section 3.1 [*Rights offering*] and section 3.42 [*Conversion, exchange, or exercise*] of NI 45-106 no longer apply.

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 Fund, and the Administrator acting on behalf of the Fund, are not subject to the dealer registration requirement in respect of the Warrant Offering Activities.

"Carol S. Perry"
Commissioner
Ontario Securities Commission

"Wes M. Scott"
Commissioner
Ontario Securities Commission

2.1.17 Teranga Gold Corporation

Headnote

National Policy 11-203 Process For Exemptive Relief Applications in Multiple Jurisdictions – application for relief from the requirement in section 4.2(1) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards that financial statements be prepared in accordance with Canadian GAAP – issuer wants to prepare its financial statements in accordance with International Financial Reporting Standards – issuer has implemented a comprehensive changeover plan, has assessed readiness of key persons, and has considered implications of adopting International Financial Reporting Standards – exemption granted subject to conditions.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, s. 4.2(1).

February 8, 2011

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
TERANGA GOLD CORPORATION
(the "Applicant")

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Applicant for a decision under the securities legislation of the Jurisdiction (the "**Legislation**") exempting the Applicant from the requirement in section 4.2(1) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* ("**NI 52-107**") (the "**Exemption Sought**") that financial statements be prepared in accordance with generally accepted accounting principles determined with reference to Part V of the Handbook of the Canadian Institute of Chartered Accountants (the "**Handbook**") applicable to public enterprises ("**Old Canadian GAAP**"), in order that the Applicant may prepare financial statements for periods beginning on or after July 1, 2010 in accordance with generally accepted accounting principles determined with reference to Part I of the Handbook applicable to publicly accountable enterprises, that is International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IFRS-IASB**").

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions:

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

(b) the Applicant 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 British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island (the "**Passport 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 Applicant:

1. The Applicant was incorporated on October 1, 2010 under the *Canada Business Corporations Act*. Its registered and head office is located at 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9.

2. The Applicant is a Canadian mining and resource company formed to continue the business of gold mining and exploration in Senegal, West Africa, which business was previously carried on by Mineral Deposits Limited, a corporation governed by the laws of Australia, which corporation is a reporting issuer or equivalent in Australia and all of the provinces of Canada, except Quebec.

3. In anticipation of completion of the Applicant's initial public offering of common shares (the "**Offering**"), the Applicant retained Deloitte Touche Tohmatsu, Chartered Accountants, to audit the Applicant's financial statements.

4. Pursuant to a pre-filing waiver application filed with the OSC on October 6, 2010, the Applicant was granted exemptive relief (as evidenced by the receipt for a (final) prospectus dated November 11, 2010 (the "**Prospectus**")) from certain of the requirements set out in NI 52-107 to allow the Applicant to prepare financial statements to be included in the Prospectus (the "**Prospectus Financial Statements**") in accordance with IFRS-IASB and audited in accordance with International Standards on Auditing (the "**Pre-Filing Application**").

5. In connection with the Offering, the Applicant filed the Prospectus and was issued a receipt by the OSC for such filing on November 11, 2010.

6. The Applicant completed the Offering on December 7, 2010.

7. The Applicant's common shares trade on the Toronto Stock Exchange and its CHESS Depository Interests trade on the Australian Stock Exchange; such securities trade under the symbol "TGZ".

8. The Applicant is a reporting issuer in the province of Ontario and the Passport Jurisdictions (collectively the "**Reporting Jurisdictions**") and is not in default of securities legislation in the Reporting Jurisdictions.

9. Absent an exemption, section 4.2(1) of NI 52-107 would require that the Applicant's financial statements for periods relating to financial years beginning before January 1, 2011, other than acquisition statements, be prepared in accordance with Old Canadian GAAP.

10. The Applicant's financial year-end is June 30.

11. The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to prepare their financial statements in accordance with IFRS-IASB for interim and annual financial statements relating to financial years beginning on or after January 1, 2011.

12. In CSA Staff Notice 52-321 *Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB*, staff of the Canadian Securities Administrators recognized that some issuers may wish to prepare their financial statements in accordance with IFRS-IASB for periods beginning prior to January 1, 2011 and indicated that staff were prepared to recommend exemptive relief on a case-by-case basis to permit a domestic issuer to do so.

13. Subject to obtaining the Exemption Sought, the Applicant intends to prepare and file its financial statements to be filed for periods beginning on or after July 1, 2010 in accordance with IFRS-IASB.

14. There are significant costs associated with preparing and auditing the Applicant's financial statements in accordance with Old Canadian GAAP.

15. The Applicant has expended considerable resources in connection with the preparation and audit of the Prospectus Financial Statements in accordance with IFRS-IASB and the establishment of the necessary internal controls and procedures required of a reporting issuer. Having already expended these resources and established these controls and procedures, the Applicant believes that requiring it to prepare financial statements in accordance with Old Canadian GAAP for the periods beginning on or after July 1, 2010 to then convert these financial statements a few months later back to IFRS-IASB for the financial year commencing on July 1, 2011 would be costly and time-consuming and would create significant inefficiencies with respect to the Applicant's financial statement preparation process as well as the establishment and maintenance of its internal controls and procedures. The Applicant also believes such a requirement would be confusing to investors.

16. Early adoption of IFRS-IASB eliminates the need to plan and perform a conversion from Old Canadian GAAP to IFRS-IASB, which, in any event will be applicable as of July 1, 2011.

17. The Applicant further believes that the preparation and filing of its financial statements to be filed for periods beginning on or after July 1, 2010 (and its related disclosure practices for its 2010 financial year) in accordance with IFRS-IASB will benefit the Applicant and its investors by offering continuity in form, presentation and public disclosure of its financial information consistent with the form, presentation and public disclosure of the Prospectus Financial Statements.

18. The Applicant has carefully assessed the readiness of its staff, board of directors, auditors, audit committee, investors and other market participants for the immediate adoption by the Applicant of IFRS-IASB for the presentation of the Prospectus Financial Statements in the Prospectus and for all subsequent financial periods following the Offering, and concluded that all parties are adequately prepared for the Applicant's immediate adoption of IFRS-IASB.

19. The Applicant has considered the implications of early adoption of IFRS-IASB on its obligations under securities legislation after completion of the Offering, including, but not limited to, those relating to CEO and CFO certifications, business acquisition reports, offering documents and previously released material forward-looking information, to the extent applicable.

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 the Applicant prepares its financial statements to be filed for periods beginning on or after July 1, 2010 in accordance with IFRS-IASB and complies with Part 3 of NI 52-107.

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

2.1.18 Rainbow Resources Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – application for relief from the requirement in section 4.2(1) of National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards that financial statements be prepared in accordance with Canadian GAAP – issuer wants to prepare its financial statements in accordance with International Financial Reporting Standards – issuer has implemented a comprehensive changeover plan, has assessed readiness of key persons, and has considered implications of adopting International Financial Reporting Standards – exemption granted subject to conditions.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, s. 4.2(1).

January 31, 2011

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
RAINBOW RESOURCES INC.
(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 of the principal regulator (the Legislation) exempting the Filer from the requirement in section 4.2(1) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (the Instrument) (the Exemption Sought) that financial statements be prepared in accordance with generally accepted accounting principles determined with reference to Part V of the Handbook (the Handbook) of the Canadian Institute of Chartered Accountants applicable to public enterprises (Old Canadian GAAP), in order that the Filer may prepare its financial statements for periods beginning on or after September 1, 2010 in accordance with generally accepted accounting principles determined with reference to Part I of the Handbook applicable to publicly accountable enterprises, that is International Financial Reporting

Standards (IFRS) as issued by the International Accounting Standards Board (IFRS-IASB).

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

(a) the Ontario Securities Commission (OSC) 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 the Provinces of Alberta and British Columbia (the Passport 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

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

1. The Filer is a corporation incorporated under the *Business Corporations Act* (Ontario) on October 13, 2009.

2. The registered and head office of the Filer is located at 95 Wellington Street West, Suite 1200, Toronto-Dominion Centre, Toronto, Ontario, M5J 2Z9.

3. The Filer is a junior exploration company focused on the acquisition and exploration of resource properties.

4. The Filer's financial year end is May 31st.

5. In anticipation of completing its initial public offering of its securities under National Instrument 41-101 *General Prospectus Requirements* (the IPO), the Filer retained Sievert & Sawrantschuk LLP to audit its financial statements for the initial fiscal year from incorporation to May 31, 2010 for inclusion in the Prospectus (as defined below). The Prospectus included financial statements (audited) for the initial fiscal year from incorporation to May 31, 2010 and financial statements (unaudited) for the interim period ended August 31, 2010 (collectively, the Prospectus Financial Statements). The Prospectus Financial Statements have been prepared in accordance with IFRS-IASB.

6. Pursuant to a pre-filing waiver application filed with the OSC on August 26, 2010, the Filer was granted exemptive relief (as evidenced by the receipt for a (final) prospectus dated November 5, 2010) from certain requirements set out in the Instrument to allow the Filer to prepare financial statements to be included in its Prospectus (as defined below) in accordance with IFRS-IASB.

7. In connection with the IPO, the Filer filed a preliminary long form prospectus dated October 7, 2010 and a (final) long form prospectus dated November 5, 2010 (together, the Prospectus) and was issued a receipt for such filings on October 7, 2010 and November 5, 2010, respectively.

8. The Filer completed its IPO on December 23, 2010 and is a reporting issuer in the Jurisdiction and the Passport Jurisdictions.

9. The Filer is not in default of its reporting issuer obligations under the Legislation or the securities legislation of the Passport Jurisdictions.

10. The Filer's common shares are listed on the TSX Venture Exchange.

11. Absent an exemption, section 4.2(1) of the Instrument would require that the Filer's financial statements relating to financial years beginning before (or prior to) January 1, 2011, other than acquisition statements, be prepared in accordance with Old Canadian GAAP.

12. The Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to prepare their financial statements in accordance with IFRS-IASB for interim and annual financial statements relating to financial years beginning on or after January 1, 2011.

13. In CSA Staff Notice 52-321 *Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB*, staff of the Canadian Securities Administrators recognized that some issuers may wish to prepare their financial statements in accordance with IFRS-IASB for periods beginning prior to January 1, 2011 and indicated that staff were prepared to recommend exemptive relief on a case by case basis to permit a domestic issuer to do so.

14. Subject to obtaining the Exemption Sought, the Filer intends to prepare and file its financial statements to be filed for periods beginning on or after September 1, 2010 in accordance with IFRS-IASB.

15. The Filer expended considerable resources in connection with the preparation and audit of the Prospectus Financial Statements in accordance with IFRS-IASB and the establishment of the necessary internal controls and procedures required of a reporting issuer. Having already expended these resources and established these controls and procedures, the Filer believes that requiring it to prepare financial statements in accordance with Old Canadian GAAP for the

periods beginning on or after September 1, 2010 to then convert months later back to IFRS-IASB for the financial year commencing June 1, 2011 would be costly and time-consuming and would create significant inefficiencies with respect to the Filer's financial statement preparation process as well as the establishment and maintenance of its internal controls and procedures. The Filer also believes such a requirement would be confusing or investors.

16. The Filer further believes that the preparation and filing of its financial statements to be filed for periods beginning on or after September 1, 2010 (and its related disclosure practices for its 2010 financial year) in accordance with IFRS-IASB will benefit the Filer and its investors by offering continuity in form, presentation and public disclosure of its financial information consistent with the form, presentation and public disclosure of the Prospectus Financial Statements.

17. The Board of Directors (the Board) of the Filer approved early adoption of IFRS-IASB on August 17, 2010, with effect immediately, subject to the Filer obtaining the Exemption Sought.

18. The Filer carefully assess the readiness of its staff, Board, auditors, investors and other market participants for the immediate adoption by the Filer of IFRS-IASB for the presentation of its financial information in connection with the IPO and for all subsequent financial periods after the IPO, including financial periods beginning on or after September 1, 2010, and concluded that all parties are adequately prepared for the Filer's immediate adoption of IFRS-IASB.

19. The Filer has considered the implications of early adoption of IFRS-IASB on its obligations under securities legislation after completion of the IPO, including, but not limited to, those relating to CEO and CFO certifications, business acquisition reports, offering documents and previously released material forward looking information, to the extent applicable.

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 the Filer prepares its financial statements to be filed for periods beginning on or after September 1, 2010 in accordance with IFRS-IASB and complies with Part 3 of the Instrument.

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

2.2 Orders

2.2.1 Helen Kuszper and Paul Kuszper – s. 127

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

AND

IN THE MATTER OF
HELEN KUSZPER AND PAUL KUSZPER

ORDER
(Section 127)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and Staff of the Commission ("Staff") filed a Statement of Allegations in this matter on December 13, 2010 against Helen Kuszper and Paul Kuszper (collectively, the "Respondents");

AND WHEREAS on January 27, 2011, counsel for Staff and the Respondents appeared before the Commission;

AND WHEREAS all counsel consented to an order adjourning the hearing to a confidential pre-hearing conference and setting dates for the hearing on the merits in this matter, as set out in this Order;

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

IT IS ORDERED that this matter is adjourned to a confidential pre-hearing conference to be held on March 10, 2011 at 2:00 p.m.;

IT IS FURTHER ORDERED that the hearing on the merits shall commence on October 12, 2011 at 10:00 a.m. at the offices of the Commission, 20 Queen Street West, 17th Floor, Toronto, Ontario and continue until October 27, 2011, except for October 25, 2011.

DATED at Toronto this 27th day of January, 2011.

"Mary G. Condon"

2.2.2 Irwin Boock 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
IRWIN BOOCK, STANTON DEFREITAS, JASON WONG, SAUDIA ALLIE, ALENA DUBINSKY, ALEX KHODJIAINTS, SELECT AMERICAN TRANSFER CO., LEASESMART, INC., ADVANCED GROWING SYSTEMS, INC., INTERNATIONAL ENERGY LTD., NUTRIONE CORPORATION, POCKETOP CORPORATION, ASIA TELECOM LTD., PHARM CONTROL LTD., CAMBRIDGE RESOURCES CORPORATION, COMPUSHARE TRANSFER CORPORATION, FEDERATED PURCHASER, INC., TCC INDUSTRIES, INC., FIRST NATIONAL ENTERTAINMENT CORPORATION, WGI HOLDINGS, INC. AND ENERBRITE TECHNOLOGIES GROUP**

**ORDER
(Section 127 and 127.1)**

WHEREAS on October 16, 2008, the Ontario Securities Commission (the "Commission") commenced the within proceeding by issuing a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act");

AND WHEREAS on October 14, 2009, Staff of the Commission ("Staff") brought a disclosure motion (the "Motion") regarding the Respondent, Irwin Boock ("Boock");

AND WHEREAS the Motion was heard by the Commission on October 21, 2009, November 2 and 20, 2009 and January 8, 2010;

AND WHEREAS on December 10, 2009, the Commission ordered that the hearing on the merits of this matter (the "Merits Hearing") shall commence on February 1, 2010;

AND WHEREAS on January 29, 2010, the Commission ordered that the Merits Hearing be adjourned sine die pending the release of the Commission's decision on the Motion;

AND WHEREAS on February 9, 2010, the Commission issued a decision on the Motion (the "Disclosure Decision");

AND WHEREAS Boock commenced an Application for Judicial Review before the Superior Court of Justice (Divisional Court) of the Disclosure Decision ("JR Application");

AND WHEREAS counsel for Boock advised the Commission at an attendance on February 24, 2010 that the Divisional Court had advised that it was expected that the JR Application could be heard in advance of the dates scheduled for the commencement of a hearing into the merits of this matter;

AND WHEREAS on February 24, 2010, the Commission made an order that:

a) the Disclosure Decision be stayed on an interim basis until the earlier of the date of a decision on the merits in the JR Application or September 13, 2010, or until such further date as ordered by the Commission;

b) the parties shall attend at the offices of the Commission on September 13, 2010 at 9:00 a.m. to advise the Commission of the status of the determination of the JR Application (the "Status Hearing"); and

c) the Merits Hearing shall commence on October 18, 2010 and, excluding October 26, 2010, shall continue for three weeks until November 5, 2010 and thereafter on such dates as may be determined by the parties and the Office of the Secretary;

AND WHEREAS Boock is no longer represented by counsel and is currently acting in person;

AND WHEREAS on June 18, 2010, pursuant to Staff's request for an earlier Status Hearing, Staff, Boock, counsel to Stanton DeFreitas ("DeFreitas"), and counsel to Jason Wong ("Wong") attended before the Commission;

AND WHEREAS on June 18, 2010 Boock and Staff provided the Commission with a status update with respect to the JR Application and the Commission made an order adjourning the Status Hearing until June 29, 2010 to give Boock an opportunity to take steps toward perfecting the JR Application;

AND WHEREAS on June 29, 2010, Staff, Boock, counsel to DeFreitas and counsel to Wong attended before the Commission;

AND WHEREAS on June 29, 2010, upon hearing submissions from Staff and Boock, the Commission adjourned the Status Hearing until Thursday, July 15, 2010 at 10:00 a.m. to give Boock an opportunity to take further steps toward perfecting the JR Application;

AND WHEREAS on July 15, 2010, the Commission was advised that the JR Application had been perfected and that a hearing date of October 27, 2010 had been set by the Superior Court of Justice (Divisional Court) for the hearing of the JR Application;

AND WHEREAS on July 15, 2010, the Commission made an order that:

a) the dates for the Merits Hearing, previously set to commence on October 18, 2010, shall be vacated;

b) the Status Hearing currently scheduled for September 13, 2010 shall be vacated;

c) the Status Hearing shall be adjourned until November 29, 2010 at 9:30 a.m. at the offices of the Commission; and

d) the Disclosure Decision shall be stayed on an interim basis until the earlier of the date of a decision on the merits in the JR Application or November 29, 2010, or until such further date as ordered by the Commission

AND WHEREAS on October 27, 2010, the JR Application was heard by the Superior Court of Justice (Divisional Court);

AND WHEREAS on that same date, the Superior Court of Justice (Divisional Court) dismissed the JR Application (the "JR Decision");

AND WHEREAS on November 29, 2010, the Commission held a Status Hearing in this matter, and Staff, Boock and counsel for Wong attended;

AND WHEREAS Boock advised that he intends to retain counsel for purposes of the Merits Hearing;

AND WHEREAS Staff submitted that the appeal period in respect of the JR Decision had expired;

AND WHEREAS Staff advised and Boock has confirmed that he had not taken steps in respect of an appeal of the JR Decision;

AND WHEREAS Boock advised that he consents to the release of the material that is subject to the Disclosure Decision;

AND WHEREAS Staff advised that it was seeking to schedule dates for the Merits Hearing and requested that the Status Hearing be adjourned to January 27, 2011 to give the parties an opportunity to agree upon such dates;

AND WHEREAS Staff advised that it would renew its efforts to contact all the Respondents in respect of setting a date for the Merits Hearing, including those Respondents who have not participated to date in this proceeding;

AND WHEREAS on November 29, 2010, the Commission ordered that:

a) the Stay shall lapse as of that date;

b) the Status Hearing shall be adjourned until January 27, 2011 at 2 p.m. at the offices of the Commission, or such other date as may be agreed upon by the parties and fixed by the Office of the Secretary; and

c) the Status Hearing may be conducted in writing in advance of January 27, 2011, by way of a draft consent order filed with the Commission setting dates for the Merits Hearing, provided that matters that might otherwise be subject to the Status Hearing do not require an attendance before the Commission;

AND WHEREAS on January 27, 2011, the Commission held a Status Hearing in this matter attended by Staff, counsel for Wong and counsel for DeFreitas;

AND WHEREAS Boock advised Staff in advance of the Status Hearing that he would not be attending but that he intends to retain counsel in this matter in the next 30 days;

AND WHEREAS counsel to Pharm Control Inc. ("Pharm Control") advised Staff in advance of the Status Hearing that Pharm Control would not be in attendance at the Status Hearing;

AND WHEREAS no other Respondents attended or otherwise responded to notice of the Status Hearing;

AND WHEREAS Staff confirmed to the Commission that it took steps to serve all of the Respondents with notice of the Status Hearing at the last known address(es) for each;

AND WHEREAS Staff has recently obtained and disclosed new evidence in this matter;

AND WHEREAS Staff has requested that the Commission convene a pre-hearing conference for the parties to give consideration to the evidentiary and other hearing related issues in this matter and respondents' counsel in attendance have consented to this request;

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

IT IS HEREBY ORDERED THAT a pre-hearing conference will be held on Thursday, March 3, 2011 at 10:00 a.m. or such other date or time as agreed upon by the parties and fixed by the Secretary's office.

Dated at Toronto this 27th day of January, 2011.

"Mary G. Condon"

2.2.3 Crew Gold Corporation – s. 1(10)

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Issuer deemed to no longer be a reporting issuer under securities legislation.

Applicable Legislative Provisions

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

January 27, 2011

Crew Gold Corporation
Abbey House
Wellington Way
Weybridge, Surrey
KT13 OTT
Telephone: +44-1932-268755
Fax: +44-1932-268756

Dear Mr. Taylor:

Re: Crew Gold Corporation (the Applicant) – Application for an order under Clause 1(10)(b) of the Securities Act (Ontario) 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:

- 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;
- No securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;
- The Applicant is not in default of any of its obligations under the Act as a reporting issuer; and
- The Applicant will not be a reporting issuer or the equivalent in any jurisdiction in Canada immediately following the Director granting the relief requested.

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

"Jo-Anne Matear"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.2.4 BMO Short Federal Bond Index ETF et al. – s. 1.1

Headnote

Certain mutual funds designated as exchange-traded funds for the purposes of OSC Rule 48-501.

Rules Cited

Ontario Securities Commission Rule 48-501 Trading During Distributions, Formal Bids and Share Exchange Transactions, s. 1.1.

IN THE MATTER OF
ONTARIO SECURITIES COMMISSION RULE 48-501 – TRADING DURING DISTRIBUTIONS, FORMAL BIDS AND SHARE EXCHANGE TRANSACTIONS (Rule)

AND

IN THE MATTER OF
BMO SHORT FEDERAL BOND INDEX ETF
BMO SHORT PROVINCIAL BOND INDEX ETF
BMO SHORT CORPORATE BOND INDEX ETF
BMO HIGH YIELD US CORPORATE BOND HEDGED TO CAD INDEX ETF
(FORMERLY BMO HIGH YIELD US CORPORATE BOND HEDGED TO CAD ETF)
BMO S&P/TSX EQUAL WEIGHT BANKS INDEX ETF
BMO S&P/TSX EQUAL WEIGHT OIL & GAS INDEX ETF
BMO S&P/TSX EQUAL WEIGHT GLOBAL BASE METALS HEDGED TO CAD INDEX ETF
BMO CHINA EQUITY HEDGED TO CAD INDEX ETF (FORMERLY BMO CHINA EQUITY HEDGED TO CAD ETF)
BMO INDIA EQUITY HEDGED TO CAD INDEX ETF (FORMERLY BMO INDIA EQUITY HEDGED TO CAD ETF)
BMO EQUAL WEIGHT UTILITIES INDEX ETF
BMO NASDAQ 100 EQUITY HEDGED TO CAD INDEX ETF
BMO JUNIOR GOLD INDEX ETF
BMO MID CORPORATE BOND INDEX ETF
BMO LONG CORPORATE BOND INDEX ETF
BMO AGGREGATE BOND INDEX ETF
BMO EQUAL WEIGHT REITS INDEX ETF
BMO JUNIOR OIL INDEX ETF
BMO JUNIOR GAS INDEX ETF
BMO EQUAL WEIGHT US HEALTH CARE HEDGED TO CAD INDEX ETF
BMO EQUAL WEIGHT US BANKS HEDGED TO CAD INDEX ETF
BMO LONG FEDERAL BOND INDEX ETF
BMO REAL RETURN BOND INDEX ETF
BMO EMERGING MARKETS BOND HEDGED TO CAD INDEX ETF
BMO ENERGY COMMODITIES INDEX ETF
BMO AGRICULTURE COMMODITIES INDEX ETF
BMO BASE METALS COMMODITIES INDEX ETF
BMO PRECIOUS METALS COMMODITIES INDEX ETF
BMO MONTHLY INCOME ETF
BMO COVERED CALL CANADIAN BANKS ETF
BMO 2013 CORPORATE BOND TARGET MATURITY ETF
BMO 2015 CORPORATE BOND TARGET MATURITY ETF
BMO 2020 CORPORATE BOND TARGET MATURITY ETF
BMO 2025 CORPORATE BOND TARGET MATURITY ETF
(collectively, the Funds)

DESIGNATION ORDER
Section 1.1

WHEREAS the Funds are or will be listed on the Toronto Stock Exchange;

AND WHEREAS under the Universal Market Integrity Rules (UMIR), the Funds are considered Exempt Exchange-traded Funds that are not subject to prohibitions related to trading during certain securities transactions;

AND WHEREAS the definition of "exchange-traded fund" in the Rule is substantially similar to the definition of Exempt Exchange-traded Fund in UMIR, and the purpose of the Rule and UMIR are substantially similar;

THE DIRECTOR HEREBY DESIGNATES the Funds as exchange-traded funds for the purposes of the Rule.

Dated February 1, 2011

"Susan Greenglass"
Director, Market Regulation

2.2.5 Economic Investment Trust Limited

Headnote

Reporting issuer seeking relief so that it can continue to file financial statements in accordance with old Canadian GAAP (rather than IFRS) for periods relating to the issuer's financial year beginning on January 1, 2011 and ending on December 31, 2011 and the issuer's financial year beginning on January 1, 2012 and ending on December 31, 2012 (collectively, the issuer's deferred financial years) – In particular, the issuer is seeking relief from the requirements in Part 3 of National Instrument 52-107 that would apply to financial statements for periods relating to the issuer's deferred financial years – The issuer is also seeking relief from the IFRS-related amendments to the continuous disclosure, prospectus, certification and audit committee rules (collectively, the rules) that came into force on January 1, 2011 and that would apply to periods relating to the issuer's deferred financial years – The issuer is an "investment company" as defined in Accounting Guideline 18 Investment Companies (AcG-18) in the Handbook of the Canadian Institute of Chartered Accountants – At its meeting on January 12, 2011, the Canadian Accounting Standards Board decided that investment companies, as defined in and applying AcG-18, will only be required to adopt IFRS for annual periods beginning on or after January 1, 2013 – Since Part 3 of National Instrument 52-107 and the IFRS-related amendments to the rules do not have a provision providing for a two-year deferral of the transition to IFRS for investment companies subject to NI 52-107 and the rules, the issuer has applied for the relief – Relief granted, subject to a number of conditions.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles and Auditing Standards, Parts 3 and 4.
National Instrument 51-102 Continuous Disclosure Obligations.
National Instrument 41-101 General Prospectus Requirements.
National Instrument 44-101 Short Form Prospectus Distributions.
National Instrument 44-102 Shelf Distributions.
National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.
National Instrument 52-110 Audit Committees.

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

AND

IN THE MATTER OF
ECONOMIC INVESTMENT TRUST LIMITED

ORDER

WHEREAS the Ontario Securities Commission has received an application from Economic Investment Trust Limited (the **"Applicant**") for a decision under Ontario securities legislation for an exemption (the "**Exemption Sought**") from:

(a) the requirements in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* ("**NI 52-107**") that apply to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to the Applicant's financial year beginning on January 1, 2011 and ending on December 31, 2011 and the Applicant's financial year beginning on January 1, 2012 and ending on December 31, 2012 (collectively, the "**Applicant's deferred financial years**");

(b) the amendments to National Instrument 51-102 *Continuous Disclosure Obligations* ("**NI 51-102**") related to International Financial Reporting Standards ("**IFRS**") that came into force on January 1, 2011 and that apply to documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Applicant's deferred financial years;

(c) the IFRS-related amendments to National Instrument 41-101 *General Prospectus Requirements* ("**NI 41-101**") that came into force on January 1, 2011 and that apply to a preliminary prospectus, an amendment to a preliminary prospectus, a final prospectus or an amendment to a final prospectus of the Applicant which includes or incorporates by reference financial statements of the Applicant in respect of periods relating to the Applicant's deferred financial years;

(d) the IFRS-related amendments to National Instrument 44-101 *Short Form Prospectus Distributions* ("**NI 44-101**") that came into force on January 1, 2011 and that apply to a preliminary short form prospectus, an amendment to a preliminary short form prospectus, a final short form prospectus or an amendment to a final short form prospectus of

the Applicant which includes or incorporates by reference financial statements of the Applicant in respect of periods relating to the Applicant's deferred financial years;

(e) the IFRS-related amendments to National Instrument 44-102 *Shelf Distributions* ("**NI 44-102**") that came into force on January 1, 2011 and that apply to a preliminary base shelf prospectus, an amendment to a preliminary base shelf prospectus, a base shelf prospectus, an amendment to a base shelf prospectus or a shelf prospectus supplement of the Applicant which includes or incorporates by reference financial statements of the Applicant in respect of periods relating to the Applicant's deferred financial years;

(f) the IFRS-related amendments to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**") that came into force on January 1, 2011 and that apply to annual filings and interim filings for periods relating to the Applicant's deferred financial years; and

(g) the IFRS-related amendments to National Instrument 52-110 *Audit Committees* ("**NI 52-110**") that came into force on January 1, 2011 and that apply to periods relating to the Applicant's deferred financial years.

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant is a corporation governed by the *Canada Business Corporations Act*, with its registered and head office address located at 165 University Avenue, 10th Floor, Toronto, Ontario, M5H 3B8.

2. The Applicant is a reporting issuer in Ontario and is not in default of Ontario securities legislation. Although the Applicant is not currently qualified to file a short form prospectus under NI 44-101 or a shelf prospectus under NI 44-102, it may wish to become qualified in the future.

3. The Applicant is a closed-end investment company whose common shares trade on the Toronto Stock Exchange under the symbol "EVT".

4. The Applicant's fiscal year end is December 31.

5. The Applicant is an "investment company" as defined in Accounting Guideline 18 *Investment Companies* ("**AcG-18**") in the Handbook of the Canadian Institute of Chartered Accountants (the "**Handbook**"). As such, the Applicant applies AcG-18 in the preparation of its financial statements in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**") for public enterprises.

6. The Applicant is not an investment fund as that term is defined in the *Securities Act* (Ontario).

7. As part of the changeover to IFRS in Canada, the Canadian Accounting Standards Board ("**AcSB**") has incorporated IFRS into the Handbook as Canadian GAAP for most publicly accountable enterprises. As a result, the Handbook contains two sets of standards for public companies:

   (a) Part 1 of the Handbook – Canadian GAAP for publicly accountable enterprises that applies for financial years beginning on or after January 1, 2011, and

   (b) Part V of the Handbook – Canadian GAAP for public enterprises that is the pre-changeover accounting standards ("**old Canadian GAAP**").

8. However, on October 1, 2010, the AcSB published amendments to Part 1 of the Handbook that provide a one-year deferral of the transition to IFRS for investment companies. The amendments require investment companies, as defined in and applying AcG-18, to adopt IFRS for annual periods beginning on or after January 1, 2012. Subsequently, at its meeting on January 12, 2011, the AcSB decided to extend the deferral for an additional year. The AcSB expects to issue the required amendments to Part 1 of the Handbook in March 2011 so that investment companies, as defined in and applying AcG-18, will only be required to adopt IFRS for annual periods beginning on or after January 1, 2013.

9. As part of the changeover to IFRS, NI 52-107 was repealed and replaced effective January 1, 2011. In the new version of NI 52-107,

   (a) Part 3 contains requirements based on IFRS and applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning on or after January 1, 2011, and

(b) Part 4 contains requirements based on old Canadian GAAP and applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning before January 1, 2011.

10. Also as part of the changeover to IFRS, IFRS-related amendments were made to NI 51-102, NI 41-101, NI 44-101, NI 44-102, NI 52-109 and NI 52-110 (collectively, the "**Rules**") and these amendments came into force on January 1, 2011. Among other things, the amendments replace old Canadian GAAP terms and phrases with IFRS terms and phrases and contain IFRS-specific requirements. The amendment instruments for the Rules contain transition provisions that provide that the IFRS-related amendments only apply to documents required to be filed under the Rules for periods relating to financial years beginning on or after January 1, 2011. Thus, during the IFRS transition period,

(a) issuers filing financial statements prepared in accordance with old Canadian GAAP will be required to comply with the versions of the Rules that contain old Canadian GAAP terms and phrases, and

(b) issuers filing financial statements that comply with IFRS will be required to comply with the versions of the Rules that contain IFRS terms and phrases and IFRS-specific requirements.

11. On October 8, 2010, the Canadian Securities Administrators (CSA) published CSA Staff Notice 81-320 *Update on International Financial Reporting Standards for Investment Funds* which indicated that, given the October 1, 2010 amendments to the Handbook that provided for a deferral of the transition to IFRS for investment companies, the CSA would defer finalizing IFRS-related amendments to rules related to investment funds.

12. NI 52-107 and the Rules apply to the Applicant. Since Part 3 of NI 52-107 and the IFRS-related amendments to the Rules do not have a provision providing for a two-year deferral of the transition to IFRS for investment companies subject to NI 52-107 and the Rules, the Applicant has applied for the Exemption Sought.

13. During the Applicant's deferred financial years, the Applicant will comply with section 1.13 of Form 51-102F1 *Management's Discussion and Analysis* ("**MD&A**") by providing an updated discussion of the Applicant's preparations for changeover to IFRS in its annual and interim MD&A. In particular, the Applicant will discuss the expected effect on the financial statements, or state that the effect cannot be reasonably estimated.

14. The Applicant acknowledges that if the Exemption Sought is granted, the Applicant:

(a) will be subject to Part 3 of NI 52-107 and the IFRS-related amendments to the Rules for periods relating to financial years beginning on or after January 1, 2013, and

(b) will not have the benefit of the 30 day extension to the deadline of filing the first interim financial report in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011, as set out in the IFRS-related amendments to NI 51-102, since that extension does not apply if the first interim financial report is in respect of an interim period ending after March 30, 2012.

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

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

IT IS ORDERED that the Exemption Sought is granted provided that:

1. the Applicant continues to be an investment company, as defined in and applying AcG-18;

2. the Applicant provides the communication as described and in the manner set out in paragraph 13 above;

3. the Applicant complies with the requirements in Part 4 of NI 52-107 for all financial statements (including interim financial statements), financial information, operating statements and *pro forma* financial statements for periods relating to the Applicant's deferred financial years, as if the expression "January 1, 2011" in subsection 4.1(2) were read as "January 1, 2013";

4. the Applicant complies with the version of NI 51-102 that was in effect on December 31, 2010 (together with any amendments to NI 51-102 that are not related to IFRS and that come into force after January 1, 2011) for all documents required to be prepared, filed, delivered, or sent under NI 51-102 for periods relating to the Applicant's deferred financial years;

5. the Applicant complies with the version of NI 41-101 that was in effect on December 31, 2010 (together with any amendments to NI 41-101 that are not related to IFRS and that come into effect after January 1, 2011) for any

preliminary prospectus, amendment to a preliminary prospectus, final prospectus or amendment to a final prospectus of the Applicant which includes or incorporates by reference financial statements of the Applicant in respect of periods relating to the Applicant's deferred financial years;

6. the Applicant complies with the version of NI 44-101 that was in effect on December 31, 2010 (together with any amendments to NI 44-101 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary short form prospectus, amendment to a preliminary short form prospectus, final short form prospectus or amendment to a final short form prospectus of the Applicant which includes or incorporates by reference financial statements of the Applicant in respect of periods relating to the Applicant's deferred financial years;

7. the Applicant complies with the version of NI 44-102 that was in effect on December 31, 2010 (together with any amendments to NI 44-102 that are not related to IFRS and that come into effect after January 1, 2011) for any preliminary base shelf prospectus, amendment to a preliminary base shelf prospectus, base shelf prospectus, amendment to a base shelf prospectus or shelf prospectus supplement of the Applicant which includes or incorporates by reference financial statements of the Applicant in respect of periods relating to the Applicant's deferred financial years;

8. the Applicant complies with the version of NI 52-109 that was in effect on December 31, 2010 (together with any amendments to NI 52-109 that are not related to IFRS and that come into effect after January 1, 2011) for all annual filings and interim filings for periods relating to the Applicant's deferred financial years;

9. the Applicant complies with the version of NI 52-110 that was in effect on December 31, 2010 (together with any amendments to NI 52-110 that are not related to IFRS and that come into effect after January 1, 2011) for periods relating to the Applicant's deferred financial years;

10. if, notwithstanding this order, the Applicant decides not to rely on the Exemption Sought and files an interim financial report prepared in accordance with IFRS for an interim period in a deferred financial year, the Applicant must, at the same time:

    (a) restate, in accordance with IFRS, any interim financial statements for any previous interim period in the same deferred financial year (each, a "**Previous Interim Period**") that were originally prepared in accordance with old Canadian GAAP and filed pursuant to this order, and

    (b) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous Interim Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the first interim period in the deferred financial year must

        include the opening IFRS statement of financial position at the date of transition to IFRS; and

11. if, notwithstanding this order, the Applicant decides not to rely on the Exemption Sought and files annual financial statements prepared in accordance with IFRS for a deferred financial year, the Applicant must, at the same time (unless previously done pursuant to paragraph 10 immediately above):

    (a) restate, in accordance with IFRS, any interim financial statements for any Previous Period that were originally prepared in accordance with old Canadian GAAP and filed pursuant to this order, and

    (b) file a restated interim financial report prepared in accordance with IFRS for each Previous Interim Period, together with corresponding restated interim MD&A and certificates required by NI 52-109. For greater certainty, any restated interim financial report for a Previous Period must comply with applicable securities legislation (including Part 3 of NI 52-107 and the amendments to Part 4 of NI 51-102 that came into force on January 1, 2011) and any restated interim financial report for the first interim period in the deferred financial year must include the opening IFRS statement of financial position at the date of transition to IFRS.

DATED this 8th day of February, 2011.

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

2.2.6 TBS New Media Ltd. et al. – ss. 127(7), 127(8)

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

AND

IN THE MATTER OF
TBS NEW MEDIA LTD., TBS NEW MEDIA PLC,
CNF FOOD CORP., CNF CANDY CORP.,
ARI JONATHAN FIRESTONE AND MARK GREEN

TEMPORARY ORDER
Subsections 127(7) & 127(8)

WHEREAS on June 29, 2010, the Ontario Securities Commission (the "Commission") issued a temporary order (the "Temporary Order") pursuant to subsections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") ordering the following:

(i) that all trading in the securities of TBS New Media Ltd. ("TBS"), TBS New Media PLC ("TBS PLC"), CNF Food Corp. ("CNF Food") and CNF Candy Corp. ("CNF Candy") shall cease;

(ii) that TBS, TBS PLC, CNF Food, CNF Candy, Ari Jonathan Firestone ("Firestone") and Mark Green ("Green"), collectively the "Respondents", cease trading in all securities; and

(iii) that any exemptions contained in Ontario securities law do not apply to TBS, TBS PLC,CNF Food, CNF Candy, Firestone and Green;

AND WHEREAS on June 29, 2010, the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by order of the Commission;

AND WHEREAS on July 5, 2010, the Commission issued a notice of hearing to consider, among other things, the extension of the Temporary Order, to be held on July 12, 2010 at 10:00 a.m. (the "Notice of Hearing");

AND WHEREAS the Notice of Hearing set out that the hearing (the "Hearing") is to consider, amongst other things, whether in the opinion of the Commission it is in the public interest, pursuant to subsections 127(7) and (8) of the Act, to extend the Temporary Order until the conclusion of the Hearing, or until such further time as considered necessary by the Commission;

AND WHEREAS on July 12, 2010, a hearing was held before the Commission which counsel for Staff of the Commission ("Staff") attended, counsel attended on behalf of TBS, TBS PLC, CNF Food, CNF Candy and Firestone, but no one attended on behalf of Green;

AND WHEREAS on July 12, 2010, Staff provided the Commission with the Affidavit of Dale Victoria Grybauskas, sworn on July 9, 2010, describing the attempts of Staff to serve the Respondents with copies of the Temporary Order, the Notice of Hearing, and the Affidavit of Stephen Carpenter;

AND WHEREAS on July 12, 2010, the Commission was satisfied that Staff had properly served or attempted to serve the Respondents with copies of the Temporary Order, the Notice of Hearing and the Affidavit of Stephen Carpenter;

AND WHEREAS on July 12, 2010, the Commission considered the evidence and submissions before it and the Commission was of the opinion that satisfactory information has not been provided to it by the Respondents and the Commission was of the opinion that it was in the public interest to extend the Temporary Order, subject to an amendment of the Temporary Order for the benefit of Firestone;

AND WHEREAS Staff did not object to amending the Temporary Order, as submitted by counsel for Firestone;

AND WHEREAS on July 12, 2010, the Commission ordered that the Temporary Order be amended by including a paragraph as follows: Notwithstanding the provisions of this Order, Firestone is permitted to trade, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this order) in (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; or (b) any security issued by a mutual fund that is a reporting issuer; and provided that

Firestone provides Staff with the particulars of the accounts in which such trading is to occur (as soon as practicable before any trading in such accounts occurs) including the name of the registered dealer through which the trading will occur and the account numbers, and Firestone shall instruct the registered dealer to provide copies of all trade confirmation notices with respect to trading in the accounts directly to Staff at the same time that such notices are provided to him;

AND WHEREAS pursuant to subsections 127 (7) and (8) of the Act the Commission ordered that the Temporary Order, as amended by the July 12 order, be extended to September 9, 2010;

AND WHEREAS on September 3, 2010, the Office of the Secretary issued a notice of hearing accompanied by a Statement of Allegations setting the matter down to be heard on September 8, 2010 at 10:00 a.m.;

AND WHEREAS on September 8, 2010, a hearing was held before the Commission which counsel for Staff attended, counsel attended on behalf of TBS, TBS PLC, CNF Food, CNF Candy and Firestone, but no one attended on behalf of Green;

AND WHEREAS at the hearing on September 8, 2010, a pre-hearing in this matter was set down for October 21, 2010;

AND WHEREAS on September 8, 2010, counsel for TBS, TBS PLC, CNF Food, CNF Candy and Firestone consented to an extension of the Temporary Order to October 22, 2010;

AND WHEREAS on September 8, 2010, the Commission extended the Temporary Order, as amended by the July 12, 2010 Order, to October 22, 2010 and an order was issued by the Commission on September 10, 2010;

AND WHEREAS on October 21, 2010, a hearing was held before the Commission which counsel for Staff attended, but no one attended on behalf of any of the Respondents;

AND WHEREAS on October 21, 2010, Staff informed the Commission that counsel for TBS, TBS PLC, CNF Food, CNF Candy and Firestone consented to a further extension of the Temporary Order, via email dated October 19, 2010;

AND WHEREAS by order dated October 22, 2010, the Commission extended the Temporary Order, as amended by the July 12, 2010 Order, to December 7, 2010;

AND WHEREAS on December 6, 2010, a hearing was held before the Commission which counsel for Staff attended, but no one attended on behalf of any of the Respondents;

AND WHEREAS on December 6, 2010, Staff informed the Commission that counsel for TBS, TBS PLC, CNF Food, CNF Candy and Firestone consented to a further extension of the Temporary Order;

AND WHEREAS by order dated December 6, 2010, the Commission extended the Temporary Order, as amended by the July 12, 2010 Order, to February 9, 2011;

AND WHEREAS on February 8, 2011, a hearing was held before the Commission which counsel for Staff attended, but no one attended on behalf of any of the respondents.

AND WHEREAS on February 8, 2011, Staff informed the Commission that counsel for TBS, TBS PLC, CNF Food, CNF Candy and Firestone consented to a further extension of the Temporary Order, as amended by the July 12, 2010 order;

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 Order, as amended by the July 12, 2010 Order, is extended to March 14, 2011.

IT IS FURTHER ORDERED that the Hearing is adjourned to March 11, 2011 at 10:00 a.m., or such other date and time as set by the Office of the Secretary and agreed upon by the parties.

Dated at Toronto this 8th day of February, 2011

“Carol S. Perry”

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 MRS Sciences Inc. (formerly Morningside Capital Corp.) et al.

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

AND

IN THE MATTER OF
MRS SCIENCES INC. (FORMERLY
MORNINGSIDE CAPITAL CORP.),
AMERICO DEROSA, RONALD SHERMAN,
EDWARD EMMONS, IVAN CAVRIC AND
PRIMEQUEST CAPITAL CORPORATION

REASONS AND DECISION

Hearing:	May 7, 8, 11 and 13, 2009 June 10, 11, 12, 22 and 26, 2009 September 3 and 4, 2009 October 7, 2009		
Decision:	February 2, 2011		
Panel:	Patrick J. LeSage, Q.C.	–	Commissioner (Chair of the Panel)
	Carol S. Perry	–	Commissioner
Counsel:	Derek Ferris	–	for Staff of the Ontario Securities Commission
	Peter-Paul DuVernet	–	for MRS Sciences Inc., Americo DeRosa, Ronald Sherman, Edward Emmons, Ivan Cavric, and Primequest Capital Corporation

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REASONS AND DECISION

I. BACKGROUND

A. History

[1] On November 30, 2007, the Ontario Securities Commission (the "**Commission**" or the "**OSC**") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") in connection with a Statement of Allegations issued by Staff of the Commission ("**Staff**") on November 29, 2007. An omission in the style of cause on the Statement of Allegations was corrected in an Amended Statement of Allegations issued by Staff on March 25, 2008.

[2] On April 15, 2009, the Commission issued an Amended Notice of Hearing pursuant to sections 127 and 127.1 of the Act in connection with an Amended Amended Statement of Allegations (the "**Statement of Allegations**") issued by Staff of the Commission on April 14, 2009 with respect to MRS Sciences Inc. (formerly Morningside Capital Corp. ("**Morningside**")) ("**MRS**"), Americo DeRosa ("**DeRosa**"), Ronald Sherman ("**Sherman**"), Edward Emmons ("**Emmons**"), Ivan Cavric ("**Cavric**") and Primequest Capital Corporation ("**Primequest**") (collectively, the "**Respondents**"). For the purposes of these reasons, DeRosa, Sherman, Emmons and Cavric are referred to collectively as the "**Individual Respondents**".

[3] Staff alleges that between November 2003 and May 2005 (the "**Relevant Time**") the Respondents sold Morningside or MRS shares to approximately 230 investors in Ontario and other jurisdictions, in approximately 300 trades, at prices of either $0.35 or $0.70 per share. Staff alleges that the illegal distribution raised about CDN $1 million as well as approximately USD $245,000 from foreign investors. Staff alleges that MRS and the Individual Respondents traded in MRS shares in contravention of the registration and prospectus requirements, in circumstances where the accredited investor exemption under OSC Rule 45-501, *Prospectus and Registration Exemptions* (2004), 27 O.S.C.B. 433 ("**OSC Rule 45-501**") (the "**Accredited Investor Exemption**"), on which the Respondents rely, was not available, contrary to subsection 25(1)(a) and subsection 53(1) of the Act, and contrary to the public interest.

[4] Staff also alleges that MRS and the Individual Respondents, with the intention of effecting trades in MRS shares, made prohibited undertakings to investors regarding the future value or price of MRS shares and prohibited representations about future listing of MRS shares, contrary to subsections 38(2) and 38(3) of the Act.

[5] Staff further alleges that the Individual Respondents, as directors or *de facto* directors of MRS, authorized, permitted or acquiesced in MRS's non-compliance with the Act, and are therefore deemed, pursuant to section 129.2 of the Act, not to have complied with the Act, contrary to the public interest.

[6] Finally, Staff alleges that Cavric, Primequest and DeRosa entered into numerous trades in MRS shares between February 17, 2004 and November 2, 2004 inclusive, which were publicly reported by Pink OTC Markets Inc. ("**Pink Sheets**"), when they knew or ought to have known that the trades would result in or contribute to a misleading appearance as to the trading activity in or an artificial price for MRS shares, contrary to section 3.1(a) of National Instrument 23-101 – *Trading Rules* (2001), 24 O.S.C.B. 6635, as amended ("**NI 23-101**") and contrary to the public interest.

B. The Parties

[7] On May 7, 2009, Staff and the Respondents entered into an Agreed Statement of Facts (the "**Agreed Statement of Facts**"), the first six paragraphs of which identify the Respondents, as follows:

> 1. MRS Sciences Inc., formerly Morningside Capital Corp., (collectively "MRS") is an Ontario company incorporated on November 1, 2001. MRS was redomiciled to Nevada in or about July 2005 and merged with Biosource Solutions Inc. ("**Biosource**"), a Nevada corporation, as of July 5, 2006. MRS is not and has never been registered in any capacity with the Commission.
>
> 2. DeRosa is the president and chief executive officer of MRS. DeRosa is not and has never been registered in any capacity with the Commission.
>
> 3. Sherman acted as corporate secretary for MRS. Sherman has been registered with the Commission on numerous occasions between January 25, 1962 and November 13, 2001. Sherman was not registered with the Commission in any capacity between November 2003 and May 2005.
>
> 4. Cavric was employed by and/or acted as vice-president and treasurer to MRS. Cavric was formerly registered with the Commission as a securities salesperson from February 3, 1992 to November 17, 2000. Cavric was not registered with the Commission in any capacity between November 2003 and May 2005.
>
> 5. Emmons acted as vice-president for MRS. Emmons was registered with the Commission as a securities salesperson from May 17, 1977 to November 13, 1996. Emmons was not registered with the Commission in any capacity between November 2003 and May 2005.
>
> 6. Primequest is an Ontario company incorporated on June 14, 1996 as Primequest Financial Group Inc. Primequest Financial Group Inc. merged with or was renamed Primequest on May 3, 2002. Cavric is the president, secretary, treasurer and sole director of Primequest.

[8] According to the Agreed Statement of Facts, DeRosa was an officer of MRS and Sherman, Cavric and Emmons were *de facto* officers of MRS. As stated at paragraphs 90 and 208 below, we find that DeRosa was a director of MRS, and that Sherman, Cavric and Emmons were *de facto* directors of MRS.

II. ISSUES

[9] Staff's allegations raise the following issues:

a) Did MRS, DeRosa, Sherman, Emmons and Cavric breach the registration and prospectus requirements of the Act by trading in MRS shares contrary to subsections 25 and 53 of the Act in circumstances where the "accredited investor" exemption was not available under OSC Rule 45-501?

b) Did MRS and its director(s), officers and/or its salespersons give any undertaking relating to the future value or price of MRS shares with the intention of effecting trades in MRS shares, contrary to subsection 38(2) of the Act?

c) Did MRS and its director(s), officers and/or its salespersons make any representation regarding the future listing of MRS shares with the intention of effecting trades in MRS shares, contrary to subsection 38(3) of the Act?

d) Did DeRosa, Cavric, Sherman and/or Emmons, as directors or officers or *de facto* directors or officers of MRS, authorize, permit or acquiesce in breaches of sections 25, 38 and 53 of the Act by MRS and its salespersons contrary to subsection 129.2 of the Act?

e) Did Cavric, DeRosa and/or Primequest trade MRS shares, where they knew or ought to have known that such trades would result in or contribute to a misleading appearance of trading activity in, or an artificial price for, MRS shares contrary to section 3.1(a) of NI 23-101?

f) Was the conduct of MRS, DeRosa, Sherman, Emmons, Cavric and Primequest contrary to the public interest?

III. EVIDENCE

A. Overview

[10] Fifteen witnesses testified at the hearing.

[11] Staff called two Staff investigators and ten investors, including eight investors who are residents of Ontario and two foreign investors. Staff also relied on the Agreed Statement of Facts, as well as an Agreed Statement of Facts for the Evidence of Larry Masci, dated June 10, 2009 (the "**Masci Agreed Statement of Facts**") and an Agreed Statement of Facts for the Evidence of Lisa Cripps, President of the Capital Transfer Agency Inc. ("**Capital Transfer**"), dated June 10, 2009 (the "**Cripps Agreed Statement of Facts**"). Staff also relied on documentary evidence including: section 139 certificates, corporation profile reports, MRS press releases and promotional material sent to investors, subscription agreements, investors' investment cheques, correspondence between investors and the Respondents, treasury directions, share certificates, shareholder lists, banking records, and cheques payable to the Individual Respondents from MRS, as well as audit trail data and dealer information relating to the manipulative trading allegation.

[12] Three of the Individual Respondents (DeRosa, Cavric and Emmons) testified. Sherman did not attend or testify.

B. The Agreed Statement of Facts

[13] In paragraphs 7-10 of the Agreed Statement of Facts, Staff and the Respondents agreed on the following:

7. In selling MRS shares to Ontario residents and residents of other jurisdictions, MRS has sought to rely on the exemption for selling securities to accredited investors contained in OSC Rule 45-501 (now National Instrument 45-106).

8. MRS did not file any Form 45-501F1 – report of exempt distribution with the Commission relating to the distribution of common shares of MRS to investors as required by section 7.5 of OSC Rule 45-501 (now National Instrument 45-106).

9. MRS sold and offered MRS shares to residents of Ontario.

10. No prospectus receipt has been issued to qualify the sale of MRS shares.

C. The Investigators

1. Kim Berry

[14] Kim Berry ("**Berry**") is an investigator in Staff's Case Assessment Unit. Berry testified that in March 2005, a complaint was filed with the Commission's contact centre by someone who had received a solicitation to purchase MRS shares. The file was assigned to Berry in April 2005.

[15] Berry reviewed the documents provided by the complainant – a promotional document that talked about MRS and identified DeRosa, Sherman, Cavric and Emmons as being involved with MRS, and a summary of a common share offering. Berry conducted registration checks, and determined that none of DeRosa, Sherman, Cavric and Emmons was registered at the Relevant Time, though Cavric, Sherman and Emmons had been registered previously. Berry also obtained a corporation profile report for MRS, which identified DeRosa as the sole officer and director, and she determined that MRS was not a reporting issuer. Because the complainant stated that MRS was relying on the Accredited Investor Exemption, Berry checked for Exempt Trade Reports, and determined that none had been filed. She also printed out press releases and other content from www.mrssciences.com.

[16] Berry's next step, on April 28, 2005, was to write to DeRosa requesting information about MRS and its business activities share offering. DeRosa left a voice mail for Berry on May 2, 2005, stating that he was putting the information together. On May 9, 2005, Berry received his letter, dated May 3, 2005, along with a package of documents in response to her request.

[17] In the letter, DeRosa identified himself as "[f]ull time Controller, CEO, CFO and director; responsible for all accounting and income tax matters; paid as a management consultant for payroll purposes." DeRosa also named five other employees. About Cavric, Sherman and Emmons, he said the following:

> Ivan Cavric – Full time. New and ongoing projects manager and director. Treated as a management consultant for payroll purposes.
>
> Ron Sherman – Marketing, promotion and director. Responsible for fund raising to finance new project development. Also responsible for the sales and marketing department. Remuneration is based on a monthly draw of $10,000 plus bonus and he is contracted on a full time basis by MRS Sciences.
>
> Ed Emmons – Marketing, promotion and director. Responsible for raising funds for new project development. Remuneration is based on a monthly draw of $1,500.00 plus bonus and he is contracted on a full time basis by MRS Sciences.

[18] In response to Berry's request for information about how employees selling the common shares are hired, supervised and managed and how they solicit prospective investors, DeRosa stated:

> Employees contracted to sell common shares – These employees are hired on the basis of their background in marketing and public relations and knowledge of the equities markets. They are supervised by the head of sales and marketing; Ron Sherman. They solicit prospective investors by using a network of contracts that they have developed over the years and by referrals from existing and new shareholders.

[19] Berry asked how much money had been raised, to date, through MRS's common share offering in Ontario and in total. DeRosa answered:

> The amount of money raised in Ontario is $174,300; the total amount raised is $733,526 for fiscal years ended 2003 and 2004. The company also had gross revenues of $411,333 and $77,159 in 2003 and 2004 respectively.

[20] Asked to explain "the compensation structure (i.e. fees, commissions, salary etc.)" for MRS salespersons, DeRosa said only that it was "as described" in paragraph 17 above.

[21] Berry also asked for a detailed description of how MRS has, to date, used the proceeds raised by selling common shares to make acquisitions and increase the company's working capital, with specific dollar amounts. DeRosa gave the following answers along with the described attachments:

- Options on Strat Petroleum Rozhdestuenskoe Oil Field ("**Strat**") – see attached documents for details $28,000.

- Sagos Capital Corporation investment in Forex Trading venture – see subscription agreement attached $21,000.

- 22.5% joint venture share through our publishing division Merit House Media; Limelight Entertainment [Inc.] ["**Limelight**"] and Anthony Carr – see documentation attached and website developed at ww.astrologyinternational.com also attached – $30,000.

- Advantech Pharmaceuticals Corporation ["**Advantech**"] – 5,000 units of sample Psoriasis cream for test marketing – see invoices and documents attached $8,050.

- Oakwood Natural Solutions investment in all natural environment products development company ["**Oakwood**"] and negotiations and payments to Home Shopping Channel $28,000.

- MRS Sciences Inc. costs to initially defend and then settle and change company name because of alleged trademark infringement by our use of Morningside name $10,000. Documents attached.

[22] Through Berry, Staff introduced the documents provided by DeRosa, which included copies of subscription agreements, press releases, documents relating to MRS's investment activities, and financial statements for Morningside and MRS for the years 2002-2004.

[23] On June 13, 2005, Berry recommended that the matter be referred to the investigation team on the basis that MRS appeared to be engaged in registrable activities.

2. Larry Masci

[24] Staff and the Respondents entered into an Agreed Statement of Facts for the evidence of Larry Masci ("**Masci**"), a Senior Investigator with Staff. Masci was assigned the file in July 2005. The Agreed Statement of Facts describes Masci's investigation, which included:

(a) interviews with MRS investors;

(b) an investor questionnaire sent to 45 MRS shareholders who were residents of Ontario, to which twelve completed responses were received;

(c) a compelled examination of DeRosa pursuant to section 13 of the Act on January 9, 13 and 30, 2006, including DeRosa's production of a number of documents;

(d) a request for documents from Michelle Van Herreweghe, President of Select Fidelity Transfer Services Ltd. ("**Select Fidelity**");

(e) documents obtained from Lisa Cripps, President of Capital Transfer Agency Inc.:

(i) a list of MRS shareholders;

(ii) contact information for MRS shareholders;

(iii) copies of invoices sent to MRS;

(iv) copies of agreements between Capital Transfer and MRS; and

(v) copies of MRS share certificates;

(f) a summons for banking documents from TD Canada Trust;

(g) section 139 certificates for MRS and the Individual Respondents; and

(h) a request of the U.S. Securities and Exchange Commission ("**SEC**") to obtain bank documents for an account in the name of National Detection Clinics.

3. Mehran Shahviri

[25] Mehran Shahviri ("**Shahviri**") is an investigator with Staff's surveillance unit who focuses on market manipulation and insider trading investigations. In the summer of 2008, Shahviri was asked to conduct a trading analysis of trades in Morningside and MRS shares. He testified at length about the results of his analysis. His evidence is described in paragraphs 216-217 below.

D. The Investors

[26] We heard evidence from ten investors.

[27] Two of the investors, Investor A, a resident of the United Kingdom, and Investor B, a resident of Sweden, testified that they acquired MRS shares through one Peter Johansen ("**Johansen**"). The evidence before us is insufficient to clearly understand the relationship, if any, between Mr. Johansen and the Respondents. Therefore we neither summarize the testimony of Investors A and B nor rely on it.

[28] Below is a summary of the testimony, and related documentary evidence, put forth by the remaining eight investors who testified (the "**Eight Investors**"). The Eight Investors purchased shares in Morningside and/or MRS. Morningside shares were converted into MRS shares on or about October 31, 2004.

[29] The Eight Investors purchased MRS shares by signing a subscription agreement provided by MRS (the "**Subscription Agreement**") and returning it with payment to MRS. The first paragraph of the Subscription Agreement sets out the number of shares the purchaser wishes to purchase. The second paragraph states out the price per share. The third paragraph informs that the purchase of MRS shares is subject to acceptance of the agreement by MRS.

[30] The sixth paragraph sets out a number of representations made by the purchaser, including a representation as to the purchaser's status as an accredited investor (the "**Accredited Investor Representation**"), as follows:

> 6. In consideration of MRS Sciences Inc. accepting this Subscription, the Purchaser hereby acknowledges and agrees that:
>
> …
>
> g) The Purchaser is an 'accredited investor', as defined below. The enclosed definitions are as per the Ontario Securities Commission Rule 45-501 Exempt Distributions dated and affective [sic] Dec. 1, 2001. With his/her signature the purchase [sic] certifies to the above and that he/she is purchasing as principal for his own account and not for the benefit of any other person.
>
> "Accredited investor" means
>
> (a) a company licensed to do business as an insurance company in any jurisdiction;
>
> (b) a person or company registered under the Act or securities legislation in another jurisdiction as an adviser or dealer, other than a limited market dealer;
>
> (c) an individual who beneficially owns, or who together with a spouse beneficially owns, financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds $1,000,000;
>
> (d) an individual whose net income before taxes exceeded $200,000 in each of the two most recent years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of those years and who, in either case, has a reasonable expectation of exceeding the same net income level in the current year
>
> (e) The Purchaser has received such independent legal, accounting and tax advice from its own legal, accounting and tax professional advisors with respect to this investment as he/she/it has determined is necessary.
>
> (f) Any business and financial information respecting Morningside provided to the Purchaser by Morningside or its agents and representatives from time to time is confidential and the Purchaser agrees to maintain the confidentiality of such information.

[31] Seven of the Eight Investors signed the Subscription Agreement as presented. Investor One struck out paragraph 6(g) (the Accredited Investor Representation).

[32] The Subscription Agreement allows MRS to accept the subscription by signing and dating the agreement.

1. Investor One

[33] Investor One is a plant manager in Guelph, Ontario. He is 48 years old, and married with three children. He assessed his investment experience as being relatively low.

[34] In 2004, Investor One's annual salary was between $70,000 and $90,000, with his wife not earning an income. Investor One's financial assets in 2004 were between $160,000 and $200,000, which includes the approximately $120,000 that he held in a self-directed RRSP account. We find that Investor One was not an Accredited Investor at the Relevant Time.

[35] Investor One had previously invested through Sherman in a company called Otis-Winston. Investor One was first contacted by Sherman in November 2003 with regard to investing in Morningside. The shares were available on a private placement basis by subscription at $0.35 per share.

[36] Investor One recollects Sherman saying the investment in Morningside was RRSP eligible, which Investor One viewed as a necessary requirement for him to invest. Sherman directed him to a website – either the Morningside website or the TD website – that gave a value of approximately $1.10 for the shares. Investor One understood the RRSP tax deduction would be calculated using the $1.10 per share figure, despite the subscription cost being $0.35 per share.

[37] Following the initial phone call with Sherman, Investor One received a package of documents, dated November 13, 2003, describing the investment and containing a copy of the Subscription Agreement. Investor One and Sherman discussed the Accredited Investor Representation, during which Investor One recalls telling Sherman that he did not satisfy the definition of "accredited investor" (the "**Accredited Investor Definition**"); he testified that Sherman said "that it didn't matter". Between November 2003 and March 2004, Sherman called Investor One two or three times. During that same time, Investor One would occasionally look up the MRS stock symbol online. He recalled the value being somewhere in the range of $1.10 to $1.20 per share.

[38] On March 8, 2004 Investor One subscribed for 6,000 MRS shares at a price of $0.35 per share. Investor One testified that he crossed out the Accredited Investor Representation, signed the Subscription Agreement, attached a cheque for $2,100 and sent the package to MRS. The Subscription Agreement was approved by MRS on March 17, 2004, and signed by DeRosa. On March 18, 2004, a share certificate was issued to Investor One for 6,000 shares in MRS.

[39] Investor One testified that the impact of his investment in MRS was the loss of the $2,100 he had invested. Investor One also acknowledged that Biosource documents show him as a shareholder, though he was not previously aware that his MRS shares had been converted into Biosource shares.

2. Investor Two

[40] Investor Two, age 78, lives near Sarnia, Ontario, has a grade 12 education, and retired in 1991 from Imperial Oil. He assessed his investment experience as being relatively low.

[41] Investor Two believed he qualified as an Accredited Investor based on assets, and he signed the Subscription Agreement without modification.

[42] Investor Two has income from four pensions in addition to some farm income, which in 2004 resulted in aggregate income of approximately $53,000. Investor Two also held the following financial assets: a RRIF valued at approximately $103,000, a trading account valued at approximately $115,000 holding primarily Imperial Oil stock, insurance policies, and approximately $10,000 in cash. Investor Two also owns 50 acres of farmland valued at $249,000, although it is not a financial asset. We find that Investor Two was not an Accredited Investor at the Relevant Time.

[43] In the fall of 2003, Sherman called Investor Two about investing in MRS, and briefly explained the company's business. Investor Two then received a package of materials from MRS, including the First Offering Summary, described in paragraph 162 below, which describes the investment as a "high return venture fund targeting returns of 200% plus" with "little downside risk".

[44] Investor Two does not think that he ever talked to Sherman about the Accredited Investor Exemption, nor does he recall Sherman inquiring about his income or financial assets. Investor Two understood MRS shares to be trading at approximately $2 per share, based on information provided by Sherman, including a printout from the Pink Sheets website, which indicates a "last sale" value of $2, and a print out from the Merrill Lynch website, which indicates a 52 week range of $2.01 to $2.25 per share, though both documents also disclose very low trading volumes. Though Respondents' counsel, in cross-examination, attempted to suggest that Investor Two obtained the printouts from his broker, Investor Two's responses made it clear to us that he believes the printouts came from Sherman.

[45] Investor Two made three investments in MRS – 5,000 shares at $0.35 ($1,750) on October 7, 2003; 10,000 shares at $0.35 ($3,500) on February 14, 2004; and 10,000 shares at $0.35 ($3,500) on October 22, 2004 – 25,000 shares at $0.35 per share for a total cost of $8,750.

[46] Investor Two is aware that his MRS shares have been converted into Biosource shares, which he continues to hold. He also received shares in Oakwood and Strat as stock dividends from MRS. Investor Two testified that he tried to sell his shares at one point, but his broker indicated that there was no reported trading in the shares. He also called Emmons to ask if Emmons could sell his MRS shares, but Emmons said he could not because he was not a stockbroker. Though Investor Two occasionally spoke to Emmons, his primary contact at MRS was Sherman.

3. Investor Three

[47] Investor Three works in construction as a seasonal labourer in Campbellford, Ontario. He was laid off at the Relevant Time, and paid for the investment by borrowing funds on his credit card. He has completed elementary school, does not use a computer, and had no previous investment experience; as he described it, "this was my first and last" investment. Investor Three has two children.

[48] In 2004, Investor Three's income was between $25,000 and $27,000 at the Relevant Time, and his wife earned $19,000-$21,000 as a caregiver. At the Relevant Time, he had no RRSPs, investment accounts, other investments or cash savings. Although it is not a financial asset, Investor Three testified that he owned a house valued at approximately $130,000, with a mortgage of approximately $140,000. We find that Investor Three was not an Accredited Investor at the Relevant Time.

[49] Investor Three testified that Sherman starting phoning him in 2004 about Morningside, but he was not interested at first, and Sherman called him about six times over the next couple of weeks about the potential investment. Investor Three testified that he told Sherman he was unemployed, but Sherman said "don't worry about all that mumbo-jumbo" and told him to sign the Subscription Agreement and send in the cheque (Hearing Transcript, May 11, 2009, p. 111). Sherman told Investor Three that he was running out of time to invest, that the shares were worth $2.10 per share, as shown online, even though they were being offered at $0.35 per share, and that in order to have a vote in the company it was necessary to invest at least $3,500. Investor Three signed and returned the Subscription Agreement, dated February 26, 2004. He purchased 2,000 shares at $0.35 per share for $700. He used his credit card cheques to pay for the investment because he did not have the cash available. Investor Three testified that Sherman sent him the promotional materials after he invested, not before.

[50] A couple of weeks later, Sherman called Investor Three again, offering another investment of $3,500. Investor Three refused because he had been advised by family members that the shares were not listed and he had been advised by his broker that they could not be sold for a year.

[51] In June 2004, he received 133 shares of Oakwood and in February 2005, he received 33 shares of Strat as dividends on his MRS shares.

[52] Investor Three testified he later sold 500 MRS shares for $.02 per share. Later, about a year before the hearing, he attempted to sell his remaining 1,500 MRS shares without success, and has since "walked away" from the investment

4. Investor Four

[53] Investor Four is in his early fifties, single and lives in North York, Ontario. He described his level of investment experience as intermediate.

[54] In 2004, Investor Four was an Information Technology Manager with a financial institution earning $100,000 to $110,000 per year. He held the following financial assets at the Relevant Time: an RRSP valued at $610,000, a trading account valued at $120,000, and $30,000 in cash, for a total of $760,000. Investor Four also held a life insurance policy with a surrender value of $85,000, stamps and coins valued at $75,000 and an art collection valued at $100,000. He also owned a house valued at $425,000, but that is not a financial asset.

[55] Staff submits that a stamp and coin collection and art collection are not sufficiently liquid to qualify as financial assets. The Respondents submit that there is no basis for excluding them. OSC Rule 45-501 defines "financial assets" as follows:

> "financial assets" means cash, securities, or any contract of insurance or deposit or evidence thereof that is not a security for the purposes of the Act.

[56] We find that Investor Four's stamp and coin collection and art collection are not "financial assets". His net financial assets when he purchased the MRS shares totalled approximately $845,000, short of the $1,000,000 "bright-line" threshold established by the Accredited Investor Definition. We find that Investor Four was not an Accredited Investor at the Relevant Time.

[57] However, Investor Four honestly believed he was an Accredited Investor and told Sherman that he had assets valued at greater than $1,000,000 for the purpose of qualifying as an Accredited Investor. He explained that he included his stamp and coin collection and art collection in the total. He testified that Sherman asked no specific questions about his net income or net financial assets.

[58] Sherman first contacted Investor Four about Morningside in early 2004. Sherman discussed the investment opportunity and the company's business, in particular its investment in psoriasis treatment, which was of interest to Investor Four, and environmentally friendly products. In March 2004, Investor Four received some promotional material about Morningside, Oakwood and Biogenerics, as well as a Subscription Agreement. Investor Four reviewed the material, and conducted superficial internet searches. He also checked the price of MRS shares on the Pink Sheets and through TD Canada Trust, using the MRS stock symbol, which had been provided by Sherman.

[59] After initially agreeing to buy 30,000 shares at $0.35 per share, Investor Four subsequently decided instead to purchase 50,000 shares for a total cost of $17,500. Investor Four amended the Subscription Agreement accordingly and signed it on April 20, 2004. DeRosa signed the Subscription Agreement, indicating MRS's acceptance of it, on May 13, 2004. Investor Four received a share certificate along with a covering letter signed by DeRosa, dated May 10, 2004.

[60] In June 2004, Investor Four received a stock dividend for Oakwood (one share for every 15 MRS shares). Sherman also contacted him to talk to him about Oakwood, Strat and Biogenerics. In February 2005, Investor Four received a stock dividend in Strat (one share of Strat for every two MRS shares).

[61] Investor Four testified that he presently holds 200,000 Biosource shares as a result of the conversion of his MRS shares to Biosource shares and a subsequent stock split. The last time Investor Four checked the price of his Biosource shares, the quote was $0.50 but there was no reported trading volume in the shares.

[62] Investor Four also purchased $7,500 worth of Biogenerics shares through Sherman in 2005. In the fall of that year, Investor Four attended at the MRS office to discuss lifting the sales restrictions on his Biogenerics shares; he understood that Sherman was ill but met Emmons at that time. He dealt with Emmons thereafter, and they talked about the Biosource merger and about investment opportunities in Biogenerics and something called CTR Consulting, but Investor Four did not invest. Investor Four testified that he asked Emmons specifically about the psoriasis treatment, and Emmons told him MRS had decided not to pursue it because of some patent issues.

5. Investor Five

[63] Investor Five, age 68, is married and lives in Mississauga, Ontario. He finished high school and three years of accounting courses. Investor Five testified that his level of investment experience was very low, and that his RRSP is managed with the assistance of an advisor with whom he meets quarterly.

[64] Investor Five retired as a manager of financial systems for a large company in 2005. In 2004, when he purchased MRS shares, he had an income of $55,000. Investor Five's main financial asset in 2004 was an RRSP worth approximately $140,000. Investor Five also owned his condo, a non-financial asset, which was then valued at $190,000. We find that Investor Five was not an Accredited Investor at the Relevant Time.

[65] Investor Five testified that before purchasing MRS shares, he had made a number of investments with Sherman and Emmons, who were then at Arlington Securities ("**Arlington**"), between 1998 and 2000. In aggregate the cost of these investments was in the range of $25,000 to $30,000.

[66] Investor Five received a phone call from Sherman in October 2003. Sherman discussed an investment opportunity in Morningside and told Investor Five that he thought investing in Morningside might help recover some of the losses from his prior investments through Sherman. Investor Five testified that Sherman's call "… was a legitimate attempt to help me. It sounded reasonable that he wanted to help so I invested in Morningside Capital". Investor Five testified that Sherman neither explained the Accredited Investor Definition nor enquired about Investor Five's assets and income.

[67] After the phone call, Investor Five received an information package and Subscription Agreement. He acknowledged that he reviewed the Subscription Agreement and signed it, but testified that although the Accredited Investor Definition is set out in the Subscription Agreement, he "wasn't sure what it all meant".

[68] Investor Five purchased 5,000 Morningside shares at $0.35 per share, at a cost of $1,750, in December 2003. In July 2004, he bought another 5,000 MRS shares from Sherman at the same price. In February 2005, Investor Five received a stock dividend of 385 Strat shares. In July 2006, Investor Five's MRS shares were converted to Biosource shares as a result of MRS's merger with Biosource.

[69] Sherman continued to call Investor Five every once in a while about additional investment opportunities, including a private placement in Biogenerics, and in June 2005, Investor five invested $2,500 in Biogenerics through Sherman. After that, he told Sherman he was about to retire and would not be making further investments.

6. Investor Six

[70] Investor Six, age 68, is a retired farmer with a high school education. He is married and lives near St. Marys, Ontario. He described his level of investment experience as low, although he testified he has been investing for the past 40 years.

[71] In 2004, Investor Six had an income of $75,000 from investments and farm revenue, and his financial assets totalled $785,000: a Nesbitt Burns RRSP account valued at $100,000, a Nesbitt Burns trading account valued at $500,000, a Scotia Bank RRSP valued at $175,000, and 10,000 in cash. We find that Investor Six was not an Accredited Investor at the Relevant Time.

[72] Investor Six was first contacted by Sherman, who phoned him in 2003 about MRS. He had had no prior dealings with Sherman, though he had invested over the phone previously. Sherman discussed the company and the products that MRS was selling. Investor Six testified that Sherman discussed the Accredited Investor Exemption with him. Investor Six testified: "I felt I had assets exceeding $1 million". When calculating the value of his assets, Investor Six testified that he included his farmland, valued in the range of $500,000 to $600,000, but real property is not a "financial asset" for purposes of the Accredited Investor Definition.

[73] Although Investor Six testified that Sherman probably wanted him to invest $5,000, on December 20, 2003, Investor Six signed and dated the Subscription Agreement for 10,000 shares at $0.35 per share at a cost of $3,500. He testified he did not read the Accredited Investor Definition set out in the Subscription Agreement.

[74] Investor Six later received a dividend of Oakwood and Strat shares. He continues to hold these shares and the Biosource shares he received as a result of the merger and conversion of his MRS shares. Investor Six has not checked Biosource trading activity recently. He attempted to sell his shares but nobody wanted to deal with them.

[75] In 2006 or 2007, Investor Six testified that he invested again with Sherman in a company called Biogenerics.

[76] Investor Six dealt mainly with Sherman, and spoke to him about ten times. Investor Six understood Sherman to be a salesperson, "doing what every other broker does". Investor Six also spoke to Emmons on the phone, though he never bought shares from him.

7. Investor Seven

[77] Investor Seven is a 61-year old machine operator with an elementary school education. He is married with two children, and lives in Etobicoke, Ontario. He described his level of investment experience as low.

[78] In 2004, when he purchased Morningside shares, Investor Seven had an income of $50,000 to $60,000; his wife was not employed. His financial assets were valued at between $30,000 and $34,000, comprising a self-managed trading account at TD with a value of between $20,000 and $24,000, and approximately $10,000 in cash. His home had a value of $150,000 to $200,000, but does not qualify as a financial asset. We find that Investor Seven was not an Accredited Investor at the Relevant Time.

[79] Investor Seven testified that Emmons phoned him and told him that MRS was doing research on psoriasis and asked if he was interested in investing. Investor Seven was interested because he knows someone who suffers from psoriasis and knew that a cure would relieve suffering and be a good investment. He asked Emmons to send him some information, and Emmons sent an information package and Subscription Agreement.

[80] Investor Seven decided to buy 10,000 shares, which Emmons described as a good entry level, at $0.35 per share. He sent MRS the signed Subscription Agreement, dated March 26, 2004, along with a cheque for $3,500. By letter dated April 6, 2004, MRS sent Investor Seven a share certificate, dated April 2, 2004, and DeRosa's signed acceptance of the Subscription Agreement, dated April 6, 2004. Investor Seven testified that neither Emmons nor anyone else from MRS discussed the Accredited Investor Definition with him. He testified that Emmons was the only person at MRS that he dealt with, though business cards of Emmons and Sherman were attached with materials he received from MRS. It was also Emmons who, after Investor Seven made his investment, directed him to a U.S. web site where he could check the price of MRS shares.

[81] Investor Seven received a stock dividend of 667 Oakwood shares in June 2004 and 385 Strat shares in February 2005. He was unable to sell the Biosource shares he received as a result of the merger and continues to hold them.

[82] In around August of 2006, after receiving a letter from Staff, Investor Seven phoned Emmons to ask about what was going on. Investor Seven testified that Emmons told him he did not have to worry about the letter and did not have to provide Staff with the information requested.

8. Investor Eight

[83] Investor Eight is 90 years old, and lived in Toronto, Ontario at the relevant time. He has a B.Com. and considers his investment knowledge as "above average". He testified that he had been investing since 1947.

[84] Investor Eight retired in 1985 from a large organization as Chief Financial Officer with an income of $65,000, and has a retirement income of about $54,000 from two pensions and some investments. At the Relevant Time, Investor Eight had financial assets in an investment account valued at approximately $400,000, though they have since declined in value. Investor Eight also owns his house, which was valued at approximately $400,000 at the Relevant Time, but it does not qualify as a financial asset. We find that Investor Eight was not an Accredited Investor at the Relevant Time.

[85] Investor Eight was contacted at home by phone, but does not recall the name of the caller. The caller told Investor Eight about MRS and its products, and said that a block of 10,000 shares had been set aside for him at $0.35 per share. Investor Eight initially testified that he did not receive any documents about Morningside until after he invested, but in cross-examination, agreed he had requested and received a package after getting the sales calls. Investor Eight testified that there was no discussion about his income or assets. Investor Eight testified that he was not familiar with the Accredited Investor Definition, though he "scanned" and signed the Subscription Agreement. On June 14, 2004, Investor Eight submitted a Subscription Agreement and a cheque for $3,500 to purchase 10,000 shares at $0.35 per share. MRS signed and dated the Subscription Agreement on June 22, 2004 and issued a share certificate, dated June 18, 2004.

[86] Investor Eight became concerned about the investment 4-6 weeks after he invested. Investor Eight called MRS, and was told the individual he had dealt with previously was out of town, but that DeRosa was available. Investor Eight spoke to DeRosa and the person who answered the phone at MRS six or seven times after making his investment in MRS.

[87] Investor Eight's MRS shares were later converted to Biosource shares. He also received Oakwood and Strat shares as dividends on his MRS shares, but he testified he never tried to deposit them into a securities account.

[88] In 2005, Investor Eight wrote off his $3,500 investment in MRS as a capital loss for tax purposes.

E. The Respondents

1. DeRosa

(a) Registration and Background

[89] DeRosa, who has a B.A. in Economics and Business Administration, had a business called DeRosa Accounting Services. He described himself as an accountant, but acknowledged he does not have any accounting designation. At no time has he been registered with the Commission.

(b) Role at MRS

[90] DeRosa testified that he incorporated Morningside to offer administrative and accounting services. He was its sole officer and director. He acknowledged that he knew Cavric from when he was a registrant at Richardson Greenshields, and it was Cavric who introduced him to Emmons and Sherman, who were salespersons at Arlington. He and Cavric and Emmons were also involved in another private placement for Alliance Explorations, later Rox Resources. DeRosa also provided accounting services to Otis-Winston, with which Cavric and Emmons were involved.

[91] DeRosa testified that Cavric approached him about the psoriasis cream (developed through Canada Custom Packaging and Advantech) and they decided to use Morningside to market it. DeRosa testified that he and Cavric provided funding initially; however subsequently they determined it was necessary to raise funds from investors.

[92] DeRosa also testified about MRS's other investments, in Strat, Sagos Capital Corporation (foreign exchange), Merit House Media (magazines), Limelight (books of a psychic, Anthony Carr) and Oakwood Natural Solutions, which developed into Biosource, which manufactures a line of all-natural cleaning products. Eventually, MRS merged with Biosource, and MRS shares were exchanged for Biosource shares.

[93] DeRosa also testified about MRS's two name changes. Morningside became MRS in August 2004 because of a dispute about the Respondents' use of the Morningside name. MRS was redomiciled to Nevada in 2005, becoming MRS Nevada, to get exposure to the larger US market and because of the merger with Biosource, after which MRS became dormant.

[94] DeRosa testified that he was in charge of accounting and other day-to-day operations at MRS, while Cavric looked after product and business development, and Sherman and Emmons would do the "corporate relations" work. He and Cavric prepared the website content and the press releases.

[95] DeRosa testified that the Individual Respondents were all made directors, "because we didn't feel anybody needed to be baby-sat, so by making them a director of the company, it put a responsibility in each of us to do our duties and to kind of be responsible to each other."

[96] Initially DeRosa was the sole signing authority for MRS's bank account. Subsequently, in November 2004, Joanne Laprise ("**Laprise**") an administrative employee of Associated Financial Corporation ("**Associated**") was added as a signatory to the account. DeRosa testified that he is the President of Associated, that he and Cavric are directors, and that Associated took over the administrative (back office) support for MRS. DeRosa acknowledged that he prepared MRS's unaudited financial statements under Associated letterhead; no audited financial statements were prepared.

(c) The Private Placement Offerings

[97] DeRosa and Cavric were primarily responsible for preparing material sent to investors, such as the preliminary package of materials and subsequent press releases and correspondence, and also set up a website.

[98] The lists of prospective investors were put together collectively at MRS. Some of the names came to MRS with Sherman, while others were identified by looking through business directories for leads. The first step would be to send prospective investors a package of materials describing MRS, along with a Subscription Agreement (the "**Investor Package**"). Most prospective investors were then initially contacted by telephone by an MRS qualifier. DeRosa testified that prospective investors would receive a follow up phone call, and Sherman or Emmons would speak to interested investors. DeRosa acknowledged that he "prepared most of" the script that was to be used by Sherman and Emmons. He testified that Sherman and Emmons were selling MRS's "products and services", but denied that they were selling shares.

[99] Presented with the First Offering Summary, DeRosa testified he did not remember this document being prepared or sent out to prospective investors, and this was "not something that we would have put out" because it targets returns of 200 percent plus with little downside risk. He acknowledged that he and Cavric would have prepared the Second Offering Summary, but denied that the minimum investment was reduced from $3,500 to $700 to make an MRS investment more affordable. He testified that the decision to increase the subscription price for MRS shares from $0.35 to $0.70 per share "had to do with not going out to new investors and diluting the existing investor shares." He could not explain why some investors continued to pay $0.35 per share.

[100] DeRosa testified that compliance with the Accredited Investor Exemption was discussed at one of the initial meetings of the directors, and that Cavric provided him with a package of law firm publications about the Accredited Investor Exemption. DeRosa understood that for an investor to qualify as an Accredited Investor, it was necessary for that investor to meet certain minimum net income or minimum net worth requirements.

[101] DeRosa testified that he prepared a Subscription Agreement that included information about the Accredited Investor Exemption and required the investor to represent that he or she was an Accredited Investor, as defined. DeRosa testified that when he reviewed a signed Subscription Agreement, he "considered that he [the investor] had read it over and that he understood what he was signing and that I relied on his signature that he was accredited." However, apart from checking that the investor had indicated he or she was an Accredited Investor on the Subscription Agreement, MRS did not ask specific questions about an investor's net income or net financial assets and did not require any certification from investors as to their net income or financial assets. DeRosa testified he did not know what had happened with Investor One's Subscription Agreement, and suggested this was an oversight. He testified that there were Subscription Agreements that were rejected after a follow-up call because of a concern about whether the investor was an Accredited Investor.

[102] A prospective investor's signed Subscription Agreement would be reviewed by DeRosa, and if it was approved, the investor's cheque would be deposited into MRS's account. Once the cheque cleared, either DeRosa or Cavric would issue a treasury direction on behalf of MRS. Upon receipt of the share certificate from the transfer agent, MRS would send the investor a package of documents which included a signed copy of the Subscription Agreement, a copy of the cheque, an MRS share certificate, and a covering letter.

[103] DeRosa testified that MRS had an arrangement with Fastcorp, a division of Heritage Trust ("Heritage"), MRS's transfer agency, to file Exempt Distribution Reports with the Commission. When MRS left Heritage, they found out that Heritage had not filed the reports. They then retained a lawyer to file the reports and found out they had not been filed only when they were contacted by Staff. DeRosa acknowledged that he and Cavric incorporated Select Fidelity, MRS's second transfer agent, and that it operated out of MRS's Toronto offices. Presented with the share certificates sent to Investor Two, which were signed by Laprise, DeRosa testified that Laprise did administrative work for MRS, and was an employee of Associated, which was a client of Select Fidelity; he reluctantly conceded she was an authorized officer of Select Fidelity.

(d) Remuneration

[104] DeRosa testified that he was in charge of managing MRS's cash flow. He described the process as follows:

> Basically what I would do is when the cash came in at the end of the week, I would put back into the expenses, I would pay the suppliers, I would make funds available for whatever projects were going on and then I would take whatever was left as per our agreement and break it up between the subcontractors, as it were, and that's basically the way I did it.
>
> (Hearing Transcript, June 26, 2009, p. 138)

[105] DeRosa testified that Sherman and Emmons were to be paid fixed salaries, not commissions. He testified that MRS paycheques included investors' names on the memo line in order to track the source of the funds; he acknowledged that investor funds were used to pay the Respondents and other MRS employees. Although the amounts of Sherman's and Emmons' paycheques appear to represent 20 to 25 percent of the amounts invested by the investors named on the paycheques, DeRosa denied that Sherman and Emmons were paid on a commission basis. He testified that the amounts paid were erratic because of MRS's inconsistent cash flow. Presented with the evidence that none of the Eight Investors was told that 25 percent of the money invested was being paid to the person who offered the investment to them, DeRosa testified he did not know what was said to investors because the qualifiers worked from home and Sherman and Emmons worked in Toronto.

[106] DeRosa testified that Emmons started at $1,500 per month, but this was increased to $2,500 per month, dependent on cash flow. Sherman was to be paid more than Emmons ($10,000 per month) because he was the office manager, responsible for more projects, and had a client list from his work at Arlington. DeRosa reluctantly acknowledged that Sherman was also paid for his leads (client list), as evidenced by cheque for $1,078.87, dated April 15, 2004. Finally, directors' fees of $1,000 per meeting were also to be paid, subject to the availability of cash.

[107] In a document he provided to Staff during the investigation (the "**Supplementary Schedule of Requirements**"), DeRosa stated that Sherman received $192,000 in 2004 and $26,300 in 2005, for a total remuneration of $218,300, and that Emmons received $48,340 in 2004 and $8,270 in 2005, for a total remuneration of $56,610. At the hearing, DeRosa testified that Sherman received "in the neighbourhood of" $290,000 over the three years, out of the $952,000 raised by MRS from investors. In addition to cash compensation, DeRosa testified that DeRosa and Cavric were each issued 5 million shares of MRS, and Emmons and Sherman were each issued 1 million shares.

2. Cavric

(a) Registration and Background

[108] Cavric was registered with the Commission as a securities salesperson from February 3, 1992 to November 17, 2000, but was not registered in any capacity at the Relevant Time. His background is in the securities industry and he considers himself to be a sophisticated investor and a professional trader.

(b) Role at MRS

[109] Cavric testified that DeRosa incorporated MRS, which was his administrative services company. He and DeRosa decided to develop the psoriasis cream, which Cavric first learned about the psoriasis cream through Otis-Winston, of which he was still a major shareholder. Cavric and DeRosa provided some financing personally, then decided to offer a private placement to Accredited Investors. Cavric also developed the Strat venture and others.

[110] Cavric testified that he was in charge of research and product development, and directed Otis-Winston as well as Biogenerics, Advantech and other pharmaceutical companies. DeRosa was in charge of day-to-day operations and cash flow, but would often discuss cash flow management with Cavric. Cavric's focus was on research, product development and marketing, and he tried to stay away from day-to-day operations. Cavric also testified that he was involved in putting together information sent to investors.

[111] According to Cavric, Emmons and Sherman, who were former registrants and worked together at Arlington, were responsible for "shareholder communication". He agreed with Staff's suggestion that he had introduced them to Fred Kimber, president of Otis-Winston, and brought them into Alliance Explorations, another business in which he was involved, because they "had an expertise and a client list that would be useful in raising capital for the company", adding that they also had "communication skills".

[112] Cavric was also responsible for the MRS website, and hired someone to design it. He testified that the reason for having MRS quoted on the Pink Sheets, having a link to the Pink Sheets website on the MRS website and sending Pink Sheets

information to prospective investors was to facilitate their research on MRS, and not to encourage sales based on the price of the shares as reported on the Pink Sheets.

[113] Cavric acknowledged that he, with DeRosa, signed the master share certificate that was used by the transfer agent when sending out share certificates to investors, and he signed treasury directions when DeRosa was unavailable. He owned the Welland office, which was Primequest's office and also the back office for MRS. Cavric worked at the Welland office, not the Toronto office where Emmons and Sherman worked. Cavric also acknowledged that Select Fidelity, MRS's second transfer agent, at one time operated out of MRS's Toronto office and later operated out of another office in Welland that he owned.

[114] Cavric testified that the Individual Respondents were all directors of MRS and were all responsible for compliance.

(c) The Private Placement Offering

[115] Though Cavric testified that he "believed" he was vice-president of Morningside in November 2003, when the first subscriptions were made, he testified that he had not seen the First Offering Summary before the hearing, did not know who created it and had never discussed it with Sherman or Emmons. He described its stated target of a return of "200 percent plus" with "little downside risk" as "ridiculous", and suggested that it was sent out by someone other than Morningside, though it bears the return address of MRS's Toronto office and Investor Two testified he received it from MRS.

[116] Cavric testified that before preparing the Subscription Agreement, he spoke to a lawyer, who explained the Accredited Investor Exemption, and read several law firm publications about it, for example, a corporate finance bulletin by a major Toronto law firm in November 2001, which, under the heading "Seller's Due Diligence", states:

> The OSC expects that sellers will exercise reasonable diligence for the purposes of determining the availability of the exemption used by the seller in any particular circumstances. In the companion policy to the New Rule, the OSC indicates that it will normally be satisfied that a seller has exercised reasonable diligence in relying on a particular exemption if the seller has obtained statutory declarations or written certifications from the purchasers, unless the seller has knowledge that the facts set out in the declarations or certifications are incorrect.

[117] Cavric understood that the Subscription Agreement would have to include the Accredited Investor Definition and an explanation of the risks of the investment. He testified that he worked with DeRosa to develop the Subscription Agreement on that basis. Cavric testified that he believed MRS complied with OSC Rule 45-501 by including the Accredited Investor Definition in the Subscription Agreement and identifying the risks involved in the investment.

[118] Describing the sales process, Cavric testified that in addition to the contact lists that Sherman brought with him, Cavric and DeRosa would go through business directories to find individuals they believed would have a high net worth. Cavric was unable to recall the name of any business directory that they used or whether they paid a fee for doing so.

[119] Once a prospective investor expressed interest, MRS would send out offering information and a Subscription Agreement. A follow-up call would be made, and Cavric testified that this call was to follow a script which he acknowledged preparing along with DeRosa. The script provides a very brief description of MRS. Cavric acknowledged that it asks no questions about the prospective investor's net income or net financial assets; he explained that this was because the Accredited Investor Definition and the risks of the investment were explained in the Investor Package and the purpose of the call was to find out if the prospective investor had read the Investor Package or had any questions. The script ends with the MRS representative asking the prospective investor for a fax number, in order to provide the individual with documents related to the MRS investment opportunity.

[120] Cavric testified that if a Subscription Agreement was returned unsigned or with missing information, MRS would follow up, and if the investor indicated he or she was not an Accredited Investor, MRS would return the Subscription Agreement along with the cheque. If MRS accepted the subscription, the original Subscription Agreement, along with the share certificate and a copy of the cheque would be returned to the investor. Cavric was not aware of any subscription being accepted from an investor who was not an Accredited Investor.

[121] Cavric was aware that it was necessary to submit an Exempt Distribution Report for every trade that relied on the Accredited Investor Exemption. Cavric testified that he instructed Fastcorp, a division of Heritage, pay for and file the Exempt Distribution Reports with the Commission. Cavric testified that when it was determined that this had not been done, MRS pulled the account from Heritage, as of November 27, 2003, and transferred MRS's shareholder records to Select Fidelity. However, Cavric acknowledged that MRS only had 3 investors when they changed transfer agents, each of whom had invested $3,500, and that MRS continued to offer and sell MRS shares without filing Exempt Distribution Reports thereafter, when Select Fidelity acted as its transfer agent; all the shares had been issued by the time Capital became MRS's transfer agent.

[122] According to Cavric, MRS also engaged a lawyer and provided the lawyer with all the information necessary to make the Commission filings, and Cavric became aware that the lawyer had not filed the documents only when MRS received correspondence from the Commission.

[123] Cavric testified that the decision to decrease the minimum investment required – from $3,500 to $700 – was to develop credibility with reluctant investors, with a view to seeking an additional investment from the investor in the future. He denied that the change was intended to make the investment more affordable, presumably not an issue for Accredited Investors, and stated that it was intended to make the investment more competitive, though he was unable to identify where the competition for private placement money came from.

[124] Cavric testified the decision to increase MRS's subscription offering price from $0.35 to $0.70 per share was made at a board meeting, though he could not recall the exact conversation. He acknowledged that the change did not correspond with any growth in MRS's business. He was willing to defer to DeRosa, who testified that the price increase was intended to improve cash flow, but he could not recall the discussion himself.

(d) Remuneration

[125] Cavric denied that the Respondents were paid compensation for selling shares. He testified that he and DeRosa decided on the formula for reimbursing Emmons and Sherman and that compensation was capped at 25 percent of the cash flow at the time. Cavric testified that initially, each of the Individual Respondents was to be paid $60,000 per year by MRS, but that did not happen because of cash flow problems. Instead, Emmons received $1,500 per month. Cavric testified that he received no direct compensation, though he acknowledged that MRS was paying Associated, which was his company, for administrative services. Cavric was unable to provide details on the nature or amount of these expenses, but acknowledged that he left the administrative work to DeRosa. In addition, Cavric was issued 5 million MRS shares in January 6, 2003, pursuant to the same treasury direction that issued 5 million shares to DeRosa, 1 million shares to each of Emmons and Sherman, and 850,000 shares to each of Laprise and Jennifer Bassi.

3. Emmons

(a) Registration and Background

[126] Emmons was registered with the Commission as a securities salesperson from 1977 to 2001, when his sponsoring dealer, Arlington, closed. His registration has been in abeyance since then, but he has worked as an "investor relations consultant", providing information to investors and prospective investors about private placements and the Accredited Investor Exemption. He was not registered in any capacity at the Relevant Time. Emmons met Sherman while they were both working as registered representatives at Durham Securities, Glendale Securities and Arlington. He also met Cavric at Arlington. He met DeRosa when he worked as an investor relations consultant at Alliance Explorations and Otis-Winston in 2002.

(b) Role at MRS

[127] Emmons testified that he became a director of MRS to ensure that the private placement was conducted properly. On cross-examination about his agreement that he "acted as Vice-President of MRS", he stated that he had "no objection" to this title, which he described as "honourary".

[128] Emmons was reluctant to admit knowing about MRS's business arrangements or products, including that, for example, that National Detection Clinics was incorporated by DeRosa and Cavric in June 2005, that Cavric had signing authority for Oakwood, or that DeRosa was President of Associated. He acknowledged knowing that Limelight, with which MRS had entered into a joint venture, had "run afoul of the regulatory bodies" but when it was suggested to him that Limelight was a boiler room shut down by the Commission, Emmons answered that he did not know. He acknowledged that he and Sherman had done similar work with Biogenerics, a wholly owned subsidiary of MRS.

[129] Emmons testified that DeRosa and Cavric looked after the business and product side, and he and Sherman had the role of "investor relations" or "communicating the private placement". He also testified that he and Sherman were the only ones in the Toronto office, though DeRosa, Laprise or anyone else could drop in; there were no qualifiers and no marketing staff or salespersons in the office . Presented with DeRosa's letter, which stated that Sherman supervised the marketing employees, Emmons stated that while Sherman was at the top of the food chain, he (Emmons) was the only one working with Sherman, as far as he knew. Presented with cheques marked "Q" made payable to certain named individuals, Emmons would not acknowledge that these were qualifiers for MRS.

[130] On cross-examination, Emmons was reluctant to concede that Laprise, who signed his share certificate on behalf of Select Fidelity, had been issued 850,000 Morningside shares at the same time shares had been issued to him, or that he had met Laprise and had seen her at MRS's offices in Toronto working as a clerk, and she may have worked in the Welland office, though he claimed he did not know what her title was. He acknowledged that starting in November 2004, she signed the

cheques he received as compensation from MRS, and that she took over payroll administration at that time. He testified that he did not know and had never considered whether there was an arm's length relationship between MRS and Select Fidelity. Nor was he aware of the reason for MRS moving from Heritage to Select Fidelity and then to Capital Transfer.

(c) The Private Placement Offerings

[131] Investor Seven testified that it was Emmons who called him initially about MRS and Emmons remained his contact after he made his investment. Emmons acknowledged that he spoke with Investor Seven, though he claimed that he explained the Accredited Investor Exemption, which Investor Seven denied. Emmons also recalled speaking with Investor Four and Investor Six and cannot recall whether he spoke with Investor Two, but these discussions happened after the investors made their investments.

[132] Emmons denied selling any MRS securities. He testified that DeRosa gave him a list of people to contact, and he and Sherman, having been in the industry previously, also identified some names. In cross-examination, he testified that he did not bring "that many" names with him, but recognized some of the names on Sherman's contact lists. When contacting prospective investors he would explain that the investment was only open to Accredited Investors, and he would explain what that term meant. He testified that if the prospective investor had not yet received the Subscription Agreement, which explained the Accredited Investor Exemption, he would ensure they got it, but he did not personally mail them out. He would not enquire about the prospective investor's income or assets because he understood that the Accredited Investor Exemption, which he described as "relatively new" at the Relevant Time, put the onus on the investor to determine whether he or she satisfied the Accredited Investor Definition:

> … my understanding was that you present the document to the prospective investor and give him ample opportunity to peruse it and decide whether or not it was something that he was – well, number one, whether or not he was accredited, number 2, whether he wished to participate.
>
> […]
>
> At that point in time my understanding was beyond disclosure of the risk involved, the requirements, what an accredited investor meant, that the onus was on the investor to make a true statement and then, of course, as I say, beyond discussing or beyond disclosure, there was no onus on me as I saw it to guide or advice or discuss further than the disclosure.
>
> (Hearing Transcript, June 22, 2009, pp. 104-105)

[133] Emmons testified that he discussed the risks with investors, including the risk that they could lose all their money; he added that the risks were also described in the Subscription Agreement. He testified that he also told investors that the shares were subject to a one-year resale restriction and that while the shares were quoted on the Pink Sheets, there was no volume and no guarantee a market would develop. He denied putting pressure or imposing time limits on any prospective investor. He denied using a script.

[134] When investors submitted their Subscription Agreements and cheques, Emmons would forward them to DeRosa who, as Controller, would decide whether to accept or reject a particular subscription. It was also the Controller's responsibility to file an Exempt Trade Report.

[135] Emmons testified that prospective investors would have the stock symbol, which would allow them to find MRS trading data published by Pink Sheets. In addition, Emmons was aware that the MRS website had a section entitled, "Quotes & Charts", which provided trading data published by Pink Sheets. Emmons also testified that a print out from the Merrill Lynch website, providing trading data regarding MRS shares published by Pink Sheets, was disseminated to investors. However, with respect to MRS trading data, Emmons also testified that regardless of "[w]hether they sent out or whether they were made aware through a link from the website…it was part of my responsibility to communicate the fact that that did not represent a market" (Hearing Transcript, June 22, 2009, p. 187).

[136] Emmons testified that he understood MRS was required to file forms periodically with the Commission, given the company's reliance on the Accredited Investor Exemption. However, Emmons testified that compliance with the Commission's filing requirements was not his responsibility. Emmons testified that he had assumed that the filing was being looked after by MRS and specifically by DeRosa in his capacity as controller.

(d) Remuneration

[137] Emmons denied that he was paid a commission or was paid based on a percentage of sales. He testified that he was supposed to receive $2,500 per month, but whether he received the full amount depended on whether there was "enough

capital at that time", and payment was sporadic. He testified that he also received a $1,000 fee for directors meetings, subject to the availability of funds.

[138] Staff provided copies of eighteen cancelled MRS cheques that were payable to Emmons. In addition to one cheque for $1,000, dated March 3, 2004, with the words "dir. fees" [director's fees] in the memo line, and five cheques for $750 dated February 24, 2004, March 15, 2004, April 19, 2004 and May 14, 2004, twelve cheques in varying amounts were dated from June to November 2004, each with the names of one or more investors in the memo line. In cross-examination, Staff presented Emmons with copies of the cheques, noting that the amounts appear to represent a commission of 5 percent or 20 percent of the amount invested by the investors named in the memo line. Emmons continued to insist there were no commissions. He testified that the amounts were decided by DeRosa and reflected the amount that was available for distribution at the time. Staff also presented Emmons with DaRosa's statement in his letter referred to at paragraph 17 above, that Emmons was paid $1,500 per month plus bonus; Emmons explained that if the bonus were $1,000 per month (on top of the $750 bi-monthly payment), that would be consistent with his understanding.

[139] In addition to the cash remuneration, Emmons acknowledged that 1 million MRS shares were issued to him in January 2003, as compensation, though he testified he never received the shares or saw a share certificate. He acknowledged that this aligned his interests with that of investors and enabled him to tell prospective investors that he was an MRS shareholder. He was not aware that he owned about 5.1 percent of the company.

[140] In response to Staff's question about the total amounts he received for his services from 2004 through 2005, Emmons testified that the figure of $48,000, which he had seen in a document included in Staff's disclosure (presumably the Supplementary Schedule of Requirements), would not necessarily reflect compensation only, since there were also occasional expenses for which he might be reimbursed. The Supplementary Schedule of Requirements indicates that Emmons received $48,340 in 2004 and $8,270 in 2005, for a total remuneration of $56,610. Emmons neither agreed nor disagreed with Staff's suggestion to him that he received $41,969 from MRS.

IV. ANALYSIS

A. Standard of proof

[141] It is well established that Staff must prove its case on a balance of probabilities. As the Commission stated in *Re Limelight Entertainment Inc.* (2008), 31 O.S.C.B. 1727 ("***Limelight***") at para. 126, "... we conclude that Staff must prove its case, on a balance of probabilities, based on clear, convincing and cogent evidence."

[142] In *F.H. v. McDougall*, [2008] 3 S.C.R. 41 ("***McDougall***"), the Supreme Court of Canada reaffirmed that "there is only one civil standard of proof at common law and that is proof on a balance of probabilities", which requires the trier of fact to decide "whether it is more likely than not that the event occurred" (*McDougall*, *supra*, at paras. 40 and 44). The Court noted, "the evidence must always be sufficiently clear, convincing and cogent to satisfy the balance of probabilities test" (*McDougall*, *supra*, at para. 46).

B. Subsections 25(1)(a) and 53(1) of the Act

1. The Law

(a) Subsection 25(1)(a) of the Act: Trading without Registration

[143] Section 25(1)(a) of the Act prohibits a person or company from trading in securities "unless the person or company is registered as a dealer, or is registered as a salesperson or as a partner or as an officer of a registered dealer and is acting on behalf of the dealer."

[144] The registration requirement "is an essential element of the regulatory framework with the purpose of achieving the regulatory objectives of the Act. Registration serves an important gate-keeping mechanism ensuring that only properly qualified and suitable individuals are permitted to be registrants and to trade with or on behalf of the public. Through the registration process, the Commission attempts to ensure that those who trade in securities meet the applicable proficiency requirements, are of good character, satisfy the appropriate ethical standards and comply with the Act" (*Limelight*, *supra*, at para. 135).

[145] Subsection 1(1) of the Act defines "trade" or "trading" to include:

> (a) any sale or disposition of a security for valuable consideration, whether the terms of payment be on margin, instalment or otherwise;
>
> ...

(e) any act, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the foregoing;

[146] In determining whether a respondent has engaged in acts in furtherance of a trade, the Commission has adopted a contextual approach, which "requires an examination of the totality of the conduct and the setting in which the acts have occurred, the primary consideration of which is the effects the acts had on those to whom they were directed" (*Re Momentas Corp.* (2006), 29 O.S.C.B. 7408 ("***Momentas***"), at para. 77).

[147] In *Re Costello*, the Commission stated:

> There is no bright line separating acts, solicitations and conduct indirectly in furtherance of a trade from acts, solicitations and conduct not in furtherance of a trade. Whether a particular act is in furtherance of an actual trade is a question of fact that must be answered in the circumstances of each case. A useful guide is whether the activity in question had a sufficiently proximate connection to an actual trade.
>
> (*Re Costello* (2003), 26 O.S.C.B. 1617, at para. 47)

[148] The Commission in *Momentas* listed examples of activities found to have been "acts in furtherance" of a trade, including:

(a) providing potential investors with subscription agreements to execute;

(b) distributing promotional materials concerning potential investments;

(c) issuing and signing share certificates;

(d) preparing and disseminating materials describing investment programs;

(e) preparing and disseminating forms of agreements for signature by investors;

(f) conducting information sessions with groups of investors; and

(g) meeting with individual investors.

(*Momentas*, *supra*, at para. 80)

[149] Receiving investor funds has also been found to be an act in furtherance of a trade (*Re Allen* (2005), 28 O.S.C.B. 8541, at para. 85; *Momentas*, *supra* at paras. 78, 87-88; *Limelight*, *supra*, at para. 133).

(b) Subsection 53(1) of the Act: Distribution without Prospectus

[150] Subsection 53(1) of the Act states:

> **53(1) Prospectus required** – No person or company shall trade in a security on his, her or its own account or on behalf of any other person or company where such trade would be a distribution of such security, unless a preliminary prospectus and a prospectus have been filed and receipts therefor obtained from the Director.

[151] In paragraph (a) of subsection 1(1) of the Act, "distribution" is defined to mean "a trade in securities of an issuer that have not been previously issued".

(c) OSC Rule 45-501: The Accredited Investor Exemption

[152] The Respondents rely on the Accredited Investor Exemption pursuant to section 2.3 of OSC Rule 45-501, which states:

> **Exemption for a Trade to an Accredited Investor** – Sections 25 and 53 of the Act do not apply to a trade in a security if the purchaser is an accredited investor and purchases as principal.

[153] "Accredited investor" is defined at section 1.1 of OSC Rule 45-501. The relevant part of the definition is as follows:

> "accredited investor" means

…

(m) an individual who beneficially owns, or who together with a spouse beneficially own, financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds $1,000,000;

(n) an individual whose net income before taxes exceeded $200,000 in each of the two most recent years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of those years and who, in either case, has a reasonable expectation of exceeding the same net income level in the current year

[154] In this case, the Respondents submit that the Accredited Investor Exemption was available to them at all times because, even if Staff proves that some MRS investors were not Accredited Investors, the Respondents made reasonable efforts to comply with OSC Rule 45-501 and its Companion Policy.

2. Findings and Conclusions on Subsections 25(1)(a) and 53(1) of the Act

[155] In the Agreed Statement of Facts, the Respondents agree that none of MRS and the Individual Respondents was registered with the Commission in any capacity at the Relevant Time, and that no prospectus receipt was issued to qualify the sale of MRS shares.

[156] The Respondents also agree, in the Agreed Statement of Facts, that MRS sold and offered MRS shares to residents of Ontario and other jurisdictions.

[157] We find that there is ample evidence that the Respondents engaged in unregistered trading and an illegal distribution of MRS shares, and therefore that they contravened subsections 25(1) and 53(1) of the Act, unless they establish that the Accredited Investor Exemption was available to them.

[158] We find that the Accredited Investor Exemption was not available and that the Respondents did not exercise reasonable diligence to ensure that investors qualified as Accredited Investors.

[159] Our reasons are as follows:

(a) MRS

[160] The MRS Shareholder Report, dated June 8, 2005, indicates that 19,496,343 shares have been issued to 231 shareholders. This is also the number given in the Cripps Agreed Statement of Facts, based on Capital Transfer's shareholder records and the records Capital Transfer received from Select Fidelity when it became transfer agent for MRS.

[161] The Subscription Agreements evidence the sale of 2,144,553 MRS shares, which raised $838,760 from approximately 210 individual investors in approximately 300 trades between November 2003 and May 2005.

[162] The evidence indicates that MRS shares were sold to the public in three private placements. In the first private placement offering (the "**First Offering**"), MRS shares were sold at $0.35 per share, with a minimum purchase of 10,000 shares ($3,500). The Summary of Private Placement Offering (the "**First Offering Summary**") provided to investors indicated that the company sought to raise $1.05 million from the sale of 3 million MRS shares, that it would use the proceeds to invest in "select penny stocks", and that it targeted "returns of 200 percent plus" through a "High Return Venture Fund" "with little downside risk".

[163] The second private placement offering (the "**Second Offering**") sought to raise $1.75 million from the sale of 5 million Morningside shares at $0.35 per share, with a closing date of October 31, 2004. The minimum subscription amount was now reduced to $700. Morningside was said to be "an emerging growth Generic drug development firm", working on a new psoriasis treatment and a product related to early cancer treatment.

[164] The third private placement offering (the "**Third Offering**") sought to raise $3.5 million from the sale of 5 million shares at $0.70 per share, with a minimum investment of $1,400, though we heard evidence that despite the stated share price, some investors purchased shares in the Third Offering at $0.35 per share. In addition to the psoriasis treatment product, MRS was now said to be investing in Strat to allow it to acquire an interest in a Russian oil field. The Third Offering was initially set to close on October 31, 2004, but this was later extended a year to October 31, 2005.

[165] We accept that MRS offered and sold shares directly to investors. As the trades were trades in securities that had not previously been issued, they were therefore distributions, as defined in section 1.1 of the Act. MRS was not registered with the Commission at the Relevant Time and no prospectus was filed and a receipt issued by the Director to qualify the distribution.

(b) DeRosa

[166] DeRosa had little direct contact with investors. However, as noted at paragraphs 146-149 above, the Act provides a broad definition of "trade" and "trading" that includes "acts in furtherance of a trade" and does not require direct investor contact. We find that DeRosa engaged in a series of acts in furtherance of trades in MRS shares to investors. In particular:

- DeRosa acknowledged that he and Cavric decided to raise funds for MRS using the Accredited Investor Exemption, and that he prepared the Subscription Agreement;
- DeRosa acknowledged that he and Cavric prepared a script to be used by Sherman and Emmons when contacting prospective investors;
- DeRosa's name appears as the signatory for MRS's press releases and other promotional material, and he acknowledged that he and Cavric prepared the press releases and promotional material;
- DeRosa acknowledged that it was his role to review Subscription Agreements and his signature appears on some of the Subscription Agreements that were returned to investors indicating MRS's acceptance of the subscription;
- DeRosa acknowledged that he signed treasury directions authorizing the transfer agent to issue share certificates in the names of investors;
- DeRosa's signature appears on many of the share certificates sent to MRS investors;
- DeRosa acknowledged that he and Cavric decided on the compensation for Sherman and Emmons;
- DeRosa signed the MRS cheques that we find were commission payments to MRS qualifiers and salespersons; and
- DeRosa had signing authority on the MRS bank account.

[167] We also note that Investor Three and Investor Eight testified that they called the MRS office and spoke to DeRosa after they invested, when they became concerned about their investments.

[168] Considering DeRosa's conduct in its entirety, we find that he engaged in acts in furtherance of trades in MRS shares.

(c) Cavric

[169] There is substantial evidence Cavric was closely involved in MRS's fund raising, though he had limited direct contact with investors. We find that Cavric engaged in many acts in furtherance of trades in MRS shares. In particular:

- Cavric acknowledged that he approached DeRosa with the idea of using MRS to market the psoriasis cream, a venture he had been involved with at Otis-Winston, and that they decided to raise funds for MRS using the Accredited Investor Exemption;
- Cavric acknowledged that he and DeRosa prepared documents describing MRS's business for distribution to investors, and that he was responsible for the MRS website;
- Cavric acknowledged that he hired Sherman and Emmons, who were former registrants, because of their experience as securities salespersons;
- Cavric acknowledged that he had discussions with Sherman and Emmons about MRS's share subscription process;
- Cavric acknowledged that he had discussions with DeRosa about the Accredited Investor Exemption and the process to be followed in reviewing the Subscription Agreements submitted by investors;
- Cavric incorporated Select Fidelity, MRS's transfer agent during the Relevant Time, which operated out of MRS's offices;
- Cavric acknowledged that he signed treasury directions authorizing the transfer agent to issue MRS share certificates in the name of investors when DeRosa was not available; and

- Cavric acknowledged that he signed many of the share certificates corresponding to MRS shares distributed to investors; and

- Cavric acknowledged that he and DeRosa decided on the allocation of MRS funds to Sherman and Emmons and other MRS qualifiers or salespersons.

[170] Considering Cavric's conduct in its entirety, we find that he engaged in acts in furtherance of trades in MRS shares.

(d) Emmons

[171] Emmons denied that he offered and sold MRS securities, and described his role as "investor relations" or "communicating the product placement". We reject this as utterly implausible. We find that Emmons engaged in acts in furtherance of trades MRS securities. In particular:

- It was Emmons who called Investor Seven about an investment opportunity relating to psoriasis cream, and Emmons was Investor Seven's contact throughout;

- Emmons acknowledged that he brought a list of leads to MRS;

- Emmons acknowledged that he explained the private placement to prospective investors and solicited expressions of interest from them, sent promotional material and Subscription Agreements to prospective investors, explained how the Subscription Agreement and investment cheque should be completed, and contacted existing MRS shareholders to determine whether they wanted to invest more money in MRS; and

- Emmons received investors' Subscription Agreements and cheques, on behalf of MRS, which he forwarded to DeRosa.

[172] We also note, as stated in paragraph 131 above, that Investor Two, Investor Four and Investor Six recall speaking with Emmons after they made their investments; Emmons acknowledged that he spoke with Investor Four and Investor Six but cannot recall speaking to Investor Two.

[173] We find that Emmons's compensation from MRS included a commission component. As discussed at paragraphs 106-107 and paragraph 140 above, the evidence indicates that Emmons received at least $41,969 for his role in soliciting investors to invest in MRS.

[174] Considering Emmons's conduct in its entirety, we find that he offered and sold MRS shares to investors.

(e) Sherman

[175] In the Agreed Statement of Facts, the Respondents agreed that Sherman was not registered with the Commission in any capacity at the Relevant Time.

[176] Sherman did not testify.

[177] There is ample evidence that Sherman sold MRS shares. Staff appended to its written submissions a chart summarizing the evidence of the Eight Investors about their purchases of MRS shares. In their closing submissions, the Respondents appended a copy of Staff's chart that includes the Respondents' comments and challenges to specific testimony. Even if we disregard evidence from the Eight Investors that was specifically challenged by the Respondents, we heard consistent and credible evidence from Investor One, Investor Two, Investor Three and Investor Four that Sherman:

- cold-called investors to solicit investments in Morningside;

- told some investors that Morningside shares were trading at a price much higher than the $0.35 per share private placement price;

- when an initial call was unsuccessful, made repeated calls to at least one investor, Investor Three, and told him he was running out of time to invest;

- sent or caused to be sent promotional material and Subscription Agreements to prospective investors; and

- told an investor who told him he was not an Accredited Investor that this did not matter (Investor One); told another investor, who told him he was unemployed, not to worry about "all that mumbo-jumbo" (Investor

> Three); and in another case (Investor Two), he failed to make any enquiries about the investor's Accredited Investor status.

[178] The evidence of Cavric and Emmons that Sherman brought MRS a list of leads is corroborated by the April 14, 2004 cheque for $1,087.78 with "reimburse re leads" in the memo line. Investor names appear on many MRS cheques that are made payable to Sherman. As discussed at paragraphs 106-107, above, the evidence indicates that Sherman received at least $218,300 from MRS for his role in soliciting investors to invest in MRS.

[179] We find that Sherman offered and sold MRS shares to numerous investors, and indeed he was the main securities salesperson at MRS.

(f) Conclusion on Trades and Acts in Furtherance of Trades

[180] Despite the insistence of DeRosa, Cavric and Emmons that no one at MRS was selling securities, we find that Emmons and Sherman were MRS salespersons and that other individuals who were not named as respondents in this matter also acted as qualifiers and salespersons for MRS. We find that Emmons and Sherman and the other MRS salespersons and qualifiers were paid on a commission basis, usually in the range of 20-25 percent of the amounts invested by the investors who were named on the memo line of MRS paycheques. It was clear from the evidence, including the evidence of the Eight Investors, that Emmons and Sherman were very experienced and successful securities salesmen.

(g) The Accredited Investor Exemption

[181] As stated in paragraphs 34, 42, 48, 56, 64, 71, 78 and 84 above, we find that none of the Eight Investors was an Accredited Investor at the Relevant Time.

[182] However, the Respondents note that three of the Eight Investors – Investor Two, Investor Four and Investor Six – believed they were Accredited Investors, and that Investor Two and Investor Four had signed or seen Accredited Investor certifications like the Accredited Investor Representation before.

[183] The Respondents submit that they complied with their obligations under OSC Rule 45-501 by providing investors with the Subscription Agreement, which included the Accredited Investor Definition.

[184] Staff submits that it is not enough for the Respondents to make the Accredited Investor Definition available to an investor, or to rely on an investor's certification that he or she is an Accredited Investor. Staff submits that the Respondents must prove that they took reasonable steps to ascertain whether an investor is an Accredited Investor and had a reasonable basis for believing that the investor met the net income or net financial asset thresholds of the Accredited Investor Definition. Staff submits that due diligence requires a serious factual inquiry in good faith, which includes a duty to inquire behind the boilerplate language of a Subscription Agreement.

[185] The issue is addressed in *Companion Policy 45-501CP – To Ontario Securities Commission Rule 45-501 Exempt Distributions* (2004), 27 O.S.C.B. 449 ("**45-501CP**"), at section 3.1, as follows:

> **PART 3 CERTIFICATION OF FACTUAL MATTERS**
>
> **3.1 Seller's Due Diligence** – It is the seller's responsibility to ensure that its trades in securities are made in compliance with applicable securities laws. In the case of a seller's reliance upon exemptions from the prospectus and registration requirements, the Commission expects that the seller will exercise reasonable diligence for the purposes of determining the availability of the exemption used in any particular circumstances. The Commission will normally be satisfied that a seller has exercised reasonable diligence in relying upon a particular exemption if the seller has obtained statutory declarations or written certifications from the purchasers, unless the seller has knowledge that any facts set out in the declarations or certifications are incorrect. In circumstances where a seller has recently obtained a statutory declaration or a written certification from a purchaser with whom a further trade is being made on an exempt basis, the seller may continue to rely upon the recently obtained statutory declaration or certification unless the seller has reason to believe that the statutory declaration or certification is no longer valid in the circumstances.

[186] The Respondents place significant reliance on the third sentence of section 3.1:

> The Commission will normally be satisfied that a seller has exercised reasonable diligence in relying upon a particular exemption if the seller has obtained statutory declarations or written certifications from the purchasers, unless the seller has knowledge that any facts set out in the declarations or certifications are incorrect.

[187] The Respondents submit that they relied on articles prepared by law firms about the Accredited Investor Exemption, which was new at the Relevant Time.

[188] OSC Rule 45-501 came into force on November 30, 2001. On September 14, 2005 *National Instrument 45-106 – Prospectus and Registration Exemptions* (2005), 28 O.S.C.B. (Supp-4) 3 ("**NI 45-106**"), which replaced OSC Rule 45-501, took effect. The Respondents submit that section 1.9 of the Companion Policy to NI 45-106 has no application to this proceeding because NI 45-106 was not in force at the Relevant Time. We agree that s. 1.9 of NI 45-106CP can have no bearing on our interpretation of section 3.1 of 45-501CP. We accept the guidance provided in section 3.1 of 45-501CP.

[189] In our view, it is clear from section 3.1 of 45-501CP that compliance with an exemption is and remains the responsibility of the seller, and where a seller chooses to rely upon an exemption, "the Commission expects the seller will exercise reasonable diligence for the purposes of determining the availability of the exemption used in any particular circumstances". A seller cannot rely on an investor's representation or certification that he or she is an Accredited Investor without first explaining the Accredited Investor Definition, satisfying themselves of the investor's understanding of the net income or net financial assets thresholds and asking whether the investor meets the thresholds. The onus remains on the seller to determine whether the Accredited Investor Exemption is available.

[190] We are not satisfied the Respondents made the necessary efforts to ensure that MRS investors qualified as Accredited Investors, other than requesting them to sign a Subscription Agreement. In fact, some of the specific evidence we accept is quite to the contrary.

[191] Four of the Eight Investors testified that Sherman (Investor Two and Investor Five), Emmons (Investor Seven) and the unidentified salesperson who phoned Investor Eight on behalf of MRS made no effort at all to explain the Accredited Investor Definition or to enquire about net income or net financial assets in order to determine whether the Accredited Investor Exemption applied. Nor did the script drafted by DeRosa and Cavric and used by MRS qualifiers and salespersons include any explanation of the Accredited Investor Exemption or any questions about a prospective investor's net income or net financial assets. DeRosa, Cavric and Emmons did not challenge this evidence, but testified they relied on the investor's signature on the Subscription Agreement and did not believe OSC Rule 45-501 required them to look behind an Accredited Investor Representation.

[192] The two clearest examples of the Respondents' approach to the Accredited Investor Exemption relate to Investor One and Investor Three. As stated in paragraph 37 above, when Investor One told Sherman that he did not qualify as an Accredited Investor, Sherman told him it did not matter. Investor One crossed off the Accredited Investor Representation on his Subscription Agreement to make it clear he did not qualify. Though Investor One acknowledged, on cross-examination, that he had decided he wanted to purchase the shares whether he was an Accredited Investor or not, he went on to explain that this was because Sherman had said "it didn't matter". Similarly, Investor Three testified that when he told Sherman he was unemployed, Sherman told him not to worry about "all that mumbo jumbo" but just to sign the Subscription Agreement and send the cheque.

[193] Sherman did not testify at the hearing. When DeRosa was questioned about Investor One, he suggested that the acceptance of this investment was a result of an oversight. At best, DeRosa's explanation indicates a lack of attention to the responsibility that he had to satisfy himself that the investor was an Accredited Investor. We find that Sherman not only failed to exercise reasonable diligence in this case; he sold MRS shares to Investor One in the certain knowledge that the Accredited Investor Exemption did not apply. Similarly, DeRosa, when he signed his acceptance of the Subscription Agreement on behalf of MRS, knew that Investor One was not an Accredited Investor. In our view, the overwhelming weight of the evidence indicates that whether an investor qualified as an Accredited Investor was of little concern to the Respondents, as long as the Subscription Agreement was returned along with the cheque.

[194] We are satisfied that issuers are required to take reasonable steps to ascertain whether an investor is an Accredited Investor, and that issuers must have a reasonable basis for believing that the investor meets the net income or net financial assets threshold before completing the trade. Due diligence demands that the issuer conduct a reasonable factual inquiry in good faith before accepting a prospective subscription, which includes a duty to inquire behind the boilerplate language of the subscription agreement.

[195] On any interpretation of OSC Rule 45-501CP, we are not satisfied that the Respondents exercised reasonable diligence to ensure that investors were Accredited Investors. Indeed, we find that the Respondents offered and sold MRS shares without any regard as to whether the investor was an Accredited Investor and in some cases, with the knowledge that the investor was not an Accredited Investor.

[196] Moreover, the Respondents acknowledge that they failed to file Exempt Distribution Reports, which are required where a seller relies on an exemption. We do not accept the testimony of DeRosa and Cavric that they instructed Heritage to file these reports, a claim for which no documentary evidence was given. We find it significant that no reports were filed after MRS left Heritage and moved its business to Select Fidelity, a non-arm's length business. The Exempt Distribution Report requires

disclosure of commissions paid in the reported sales, and this information was within the knowledge of MRS, not its transfer agent or lawyer.

[197] We find that the Accredited Investor Exemption was not available to the Respondents. We find that the Respondents, by engaging in an illegal distribution without registration or a qualified prospectus in circumstances where no registration and prospectus exemption was available, contravened subsections 25(1)(a) and 53(1) of the Act.

C. Subsection 38(2) of the Act: Prohibited Undertakings as to Future Value or Price

[198] Subsection 38(2) of the Act states:

> **38(2) Future Value** – No person or company, with the intention of effecting a trade in a security, shall give any undertaking, written or oral, relating to the future value or price of such security.

[199] Staff submits that the evidence of Investor A and Investor B establishes that MRS breached subsection 38(2) of the Act. Staff further submits that Investor One, Investor Two and Investor Three testified they believed MRS shares were trading at 1.10 to $2.25 per share and that this is evidence that they were misled as to the future price of MRS shares.

[200] We are not persuaded the Respondents are responsible for statements made by Johansen to Investor A or Investor B, for the reasons given in paragraph 27 above. We accept that Sherman told Investor Three that MRS shares, which were being offered at $0.35 per share, had a trading value of $2.10 per share at that time; that he told Investor One the shares were trading at $1.10 per share though they were being offered at $0.35 per share; and that Investor Two believed the shares were trading at approximately $2 per share, based on the Pink Sheets materials Sherman had sent him.

[201] We accept that "something less than a legally enforceable obligation can be an 'undertaking' within the meaning of subsection 38(2), depending on the circumstances", and that the Commission "should not take an overly technical approach to the interpretation of subsection 38(2)" but "should consider all of the surrounding circumstances and the Commission's regulatory objectives in interpreting the meaning of that section" (*Re Limelight*, at para. 164). In the circumstances of this case, we are not persuaded that the Respondents' representations to investors about the value of MRS shares amounted to "undertakings", and therefore we are not satisfied the Respondents breached subsection 38(2) of the Act.

D. Subsection 38(3) of the Act: Prohibited Representation as to Future Listing

[202] Subsection 38(3) of the Act states:

> **38(3) Listing** – Subject to the regulations, no person or company, with the intention of effecting a trade in a security, shall, except with the written permission of the Director, make any representation, written or oral, that such security will be listed on any stock exchange or quoted on any quotation and trade reporting system, or that application has been or will be made to list such security upon any stock exchange or quote such security on any quotation and trade reporting system, unless,
>
> (a) application has been made to list or quote the securities being traded, and securities of the same issuer are currently listed on any stock exchange or quoted on any quotation and trade reporting system; or
>
> (b) the stock exchange or quotation and trade reporting system has granted approval to the listing or quoting of the securities, conditional or otherwise, or has consented to, or indicated that it does not object to the representation.

[203] Staff relies especially on the evidence of Investor A and Investor B for this allegation. As stated above at paragraph 200, we are not persuaded the Respondents are responsible for statements made by Johansen to Investor A or Investor B. Staff also relies on the statement in the Morningside Company Overview that "The company will seek to become public by way of an amalgamation or filing of a IPO in order to maximize the value for it's [sic] shareholder base". We are not persuaded this very general reference to an amalgamation or public offering is sufficient to make out the allegation. We find that Staff has not met its burden of proving that the Respondents breached subsection 38(3) of the Act.

E. Deemed non-compliance of officers and/or directors of MRS

[204] Section 129.2 of the Act states:

> **129.2 Directors and officers** — For the purposes of this Act, if a company or a person other than an individual has not complied with Ontario securities law, a director or officer of the company or

> person who authorized, permitted or acquiesced in the non-compliance shall be deemed to also have not complied with Ontario securities law, whether or not any proceeding has been commenced against the company or person under Ontario securities law or any order has been made against the company or person under section 127.

[205] The definition of "director" in subsection 1(1) of the Act is as follows:

> "director" means a director of a company or an individual performing a similar function or occupying a similar position for any person;

[206] We have found that MRS breached subsection 25(1)(a) and subsection 53(1) of the Act.

[207] Staff alleges that DeRosa, as a director of MRS, and Cavric, Sherman and Emmons, as *de facto* directors of MRS, authorized, permitted or acquiesced in MRS's breaches of the Act.

[208] DeRosa identified himself, Cavric, Sherman and Emmons as the directors of MRS in his January 13, 2006 letter to Staff. Cavric and Emmons also testified that the four Individual Respondents were all directors and attended meetings of the board of directors. Cheques for directors' fees were made payable to Emmons and Sherman. We accept that Cavric, Sherman and Emmons were *de facto* directors of MRS.

[209] In addition to their personal breaches of subsections 25(1)(a) and 53(1) of the Act, we find that DeRosa, as a director, and Cavric, Sherman and Emmons, as *de facto* directors, authorized, permitted or acquiesced in MRS's contraventions of subsections 25(1)(a) and 53(1), and are therefore are deemed, pursuant to section 129.2 of the Act, to have not complied with Ontario securities law.

F. Misleading trading of MRS shares

[210] Staff alleges that Cavric, DeRosa and Primequest knew or ought to have known that the trades at issue in these proceedings would or may result in or contribute to a misleading appearance as to: (i) the volume of MRS shares traded; and/or (ii) an artificial price for MRS shares.

1. The Law

[211] Section 3.1 of NI 23-101, which became effective on November 2, 2001 and was amended effective January 3, 2004, prohibits trades that a person or company knows, or ought reasonably to know, results in or contributes to a misleading appearance of trading volume or price:

> **3.1 Manipulation and Fraud** — (1) A person or company shall not, directly or indirectly, engage in, or participate in any transaction or series of transactions, or method of trading relating to a trade in or acquisition of a security or any act, practice or course of conduct, if the person or company knows, or ought reasonably to know, that the transaction or series of transactions, or method of trading or act, practice or course of conduct
>
> (a) results in or contributes to a misleading appearance of trading activity in, or an artificial price for, a security or a derivative of that security

[212] We note that the Act was amended, effective January 1, 2006, to include a market manipulation provision (section 126.1(a)). As this provision was not in effect during the Relevant Time, section 3.1 of NI 23-101 is the applicable law.

2. The Parties' Submissions

(a) Staff

[213] Staff submits that investors are entitled to assume that posted prices reflect bona fide transactions in a market free from improper influence. If posted prices do not reflect genuine, arm's length trading activity, investors who make decisions in reliance on posted prices may be harmed and public confidence in the capital markets may be undermined (*Re Delage* (2009), 32 O.S.C.B. 1239, at para. 33; *Re Atlantic Trust Management Group*, 1995 LNBCSC (B.C.S.C.) at p. 17; *Re Cycomm International Inc.* (1994), 17 O.S.C.B. 21 ("***Re Cycomm***"), at p. 4).

[214] The fact that an impugned trade is an "actual purchase" (as opposed to a "sham purchase" that does not actually occur) is irrelevant, if the trade misleads members of the public in order to induce them to become investors (*Scott v. Brown, Doering, McNab & Co.*, [1982] 2 Q.B. 724 at pp. 728-729; *Sebastien v. Golden Capital Securities Ltd.*, [2006] B.C.J. No. 506 (B.C.S.C) at paras. 28-30).

[215] It is necessary to consider the conduct of the alleged manipulator(s) as a whole. Some trading may not seem manipulative when viewed in isolation, but is clearly so when considered in the totality of the manipulator's conduct; a broad contextual approach is required. (*Re Fatir Hussain Siddiqi*, 2005 BCSECCOM 416 (B.C.S.C.) at para. 118)

[216] Staff relies on Shahviri's evidence. Shahviri obtained information from the SEC and from Canadian brokerage firms about the trading in Morningside and MRS shares on the Pink Sheets in the period January 1, 2003-December 31, 2004. He also obtained trading information available through Bloomberg during the same period. His analysis was based on the presumption that the trades shown on Bloomberg represented the trading activity that was seen by the public and could impact investment decisions by existing and prospective MRS investors.

[217] Staff submits that Shahviri's evidence shows that Primequest, Cavric and/or DeRosa were responsible for the vast majority of MRS trades executed on the Pink Sheets and reported to the public media. In particular, Staff relies on the "Trades Executed on the Public Market (Pink OTC Markets Inc.)" Chart (the "**Trades Chart**") prepared by Shahviri, which covered the period February 17, 2004 to April 19, 2005 and showed DeRosa, Cavric or Primequest being on either the buy side or the sell side of 40 of the 60 trades listed. Staff also relies on the "Percentage of Public Trading Volume Accounted for by Primequest, Cavric and DeRosa" Chart prepared by Shahviri which covered the period February 17, 2004 to December 7, 2004 and showed the "public" volume trading data as disseminated by Bloomberg and calculations of the percentage involvement of Primequest, Cavric and DeRosa in the buying and selling volumes for each of the 22 days listed.

[218] Staff submits that Primequest, Cavric and DeRosa engaged in a pattern of trading on the Pink Sheets in order to create a misleading appearance of trading activity in MRS shares or an artificially high price for MRS shares, thereby encouraging investors to buy MRS shares in private placements. Staff submits that as a result of trading by Primequest, Cavric and DeRosa, MRS trades were reported on the Pink Sheets at prices ranging from $1.00 to $2.25 per share, about three times higher than the $0.35 to $0.70 price of the MRS shares sold by way of private placement to investors. Staff submits the Pink Sheets trades were used to mislead investors into believing that MRS shares had a value between $1.00 and $2.25 per share.

[219] Staff notes that Cavric and DeRosa did not deny that they were parties to the trades in MRS shares attributed to them. They explained that they placed Good Till Cancelled ("GTC") orders which they could not recall in order to see how the system worked and to maintain MRS's trading symbol and CUSIP number. Staff submits that their explanations are not credible, and that MRS and its salespersons used the Pink Sheets trading information to promote MRS to investors.

(b) The Respondents

[220] The Respondents submit that in order to make out its allegation of manipulative trading, Staff must prove that the Respondents knew or ought to have known that their trading activity would result in or contribute to a misleading appearance of trading activity in, or an artificial price for MRS shares.

[221] DeRosa testified that he deposited MRS shares with his broker and made a number of trades "just to see how the system would work". He made GTC orders and "didn't really pay much attention" when he was advised a couple of times that his orders had been executed. He testified that it was not his intention to create a misleading appearance with respect to the price or trading volume of MRS shares. In his view, the relevant information, including the very low volume of trading, was available to anyone who looked at the Pink Sheets website.

[222] Cavric acknowledged that the Trades Chart indicates that between February and November 2004, he was involved in 37 trades, either personally or through his company, Primequest. He testified that he submitted GTC orders to buy or sell MRS shares on the Pink Sheets. He denied trading in MRS shares in order to provide price support, and testified that he placed the orders using an arbitrary price in order to maintain MRS's symbol with Pink Sheets. Cavric testified that it was necessary for there to be offers to buy and sell MRS shares so that the market maker would continue to support MRS shares, which in turn was necessary for Pink Sheets to continue to quote MRS.

[223] The Respondents submit that Staff's case relies entirely on Shahviri's evidence, which is flawed and incomplete and does not demonstrate manipulative trading. For example, the Respondents submit that the Trades Chart does not show all the trades executed on the Pink Sheets because Shahviri deleted information in an attempt to reconcile the information Staff received from the SEC to the information shown on Bloomberg. This reduced the overall volume of trading against which to compare the volume of the Respondents' trades.

[224] The Respondents submit that Shahviri's evidence is not consistent with how the Pink Sheets operates. They submit that the Pink Sheets is not an exchange, does not execute orders, is not responsible for posting orders and does not purport to do so. Further, the Respondents submit that there is nothing improper in placing GTC orders, and this was done to support the market-maker that was required so that the Pink Sheets would continue to carry the MRS symbol.

[225] The Respondents also submit that Shahviri confirmed that for every trade that he had attributed to Primequest, Cavic or DeRosa, there was at least one real, independent, unrelated intermediate trade by brokers or market participants trading for their own account.

[226] The Respondents also argue that since they did not exercise control over which trades were publicly reported, it is not possible for Staff to prove that the Respondents knew, or ought reasonably to have known, that the trades would result in or contribute to a misleading appearance.

[227] The Respondents submit that this case does not exhibit the indicia of manipulative trading – for example, high closing, wash sales and matched sales – as discussed, for example, in *Re Cycomm*, *supra*, at pp. 3-4.

3. Findings and Conclusion

[228] As there is no dispute that DeRosa, Cavric and Primequest effected the MRS trades attributed to them in the Trades Chart, the issue is whether they knew or reasonably ought to have known that the trades would result in or contribute to a misleading appearance of trading activity in, or artificial price, for MRS shares. DeRosa, Cavric and Primequest made trades during the Relevant Time at significant premiums to the private placement offering prices.

[229] DeRosa, Emmons and Cavric acknowledged that the MRS website contained a section titled "Quotes & Charts" which provided a link to the Pink Sheets website and direct access to MRS trading prices and volumes.

[230] Some investors were aware of the prices at which MRS was shown to be traded on the Pink Sheets. For example, Investor One testified that Sherman told him the shares were trading at $1.10 per share, and directed him to either the Morningside or the TD website; he believes this happened before he made his investment, and he checked the Morningside or TD website every few weeks or every month between November 2003, when Sherman first contacted him, and March 2004, when he made his first purchase of MRS shares. Investor Two testified that he believes the Pink Sheets and Merrill Lynch print-outs in his file came from Sherman. Investor Four testified that Sherman gave him the Morningside stock symbol, which he used to check the price of MRS shares on the TD Canada Trust and Pink Sheets websites before he invested. Investor Seven testified that after he made his investment, Emmons directed him to a U.S. website where he could check the price of Morningside shares. We accept that DeRosa and Cavric knew that the trading information that was available by a link to the Pink Sheets from the MRS website could be accessed by existing and prospective investors.

[231] We question the testimony of Cavric and DeRosa that they were unaware of each other's trading activity because, amongst other things, their denials are inconsistent with their testimony that the reason they traded was to maintain the Pink Sheets symbol and CUSIP number and thereby secure ready access for investors to financial information, press releases and corporate profile information. We note that Cavric was an experienced trader who had prior experience with the Pink Sheets and it was Cavric who registered MRS with the Pink Sheets.

[232] However, though the evidence presented by Staff is suggestive of a pattern of manipulative trading, we are not satisfied, on a balance of probabilities, that Primequest, Cavric and DeRosa knew or ought to have known that their conduct would result in or contribute to a misleading appearance of trading volume or an artificial price.

[233] We come to this conclusion in part, at least, because Staff's analysis of MRS trading relies on incomplete data. The Trades Chart and Percentage of Trading Volume Chart on which Staff heavily relies were prepared by selecting from several incomplete sources of data. Shahviri acknowledged that there were gaps in the data and the difficulty of tracing Pink Sheets trading. We find that Staff's knowledge of the Pink Sheets was lacking and that Staff's evidence lacked specifics and detail on material points. As a result of these gaps in the evidence, Staff's analysis was not sufficiently concise and compelling as to its accuracy and conclusions. The explanation offered by DeRosa and Cavric – that the trades were necessary to maintain the MRS symbol and as a requirement of the Pink Sheets market maker – was not rebutted by Staff.

[234] We have serious reservations about the use and potential abuse of the Pink Sheets market in private placement offerings, particularly when sold to less sophisticated investors. In our view, this was a borderline case. However, Staff bears the onus of proving that it is more likely than not that the Respondents knew or ought to have known that their trades would result or contribute to a misleading appearance of trading activity or an artificial price. We cannot find, based on the less than cohesive analysis by Staff, that Primequest, Cavric and DeRosa engaged in manipulative trading in MRS shares.

G. Conduct contrary to the public interest

[235] We find that by issuing MRS shares to unsophisticated investors who fell far short of qualifying for the Accredited Investor Exemption and by failing to exercise reasonable diligence to ensure that only Accredited Investors subscribed, the Respondents denied investors the protection the registration and prospectus requirements are intended to provide. We find that the Respondents' conduct was contrary to the public interest.

H. Conclusions

[236] Accordingly, for the reasons given above, we make the following findings:

(i) MRS, DeRosa, Cavric, Sherman and Emmons traded in MRS shares without registration and without a registration exemption being available, contrary to subsection 25(1)(a) of the Act and contrary to the public interest;

(ii) MRS, DeRosa, Cavric, Sherman and Emmons distributed securities when a prospectus receipt had not been issued to qualify the distribution, and without a prospectus exemption being available, contrary to subsection 53(1) of the Act and contrary to the public interest; and

(iii) As officers and directors or *de facto* officers and directors of MRS, DeRosa, Cavric, Sherman and Emmons authorized, permitted or acquiesced in MRS's breaches of subsection 25(1)(a) and 53(1) of the Act, and are therefore deemed to have breached subsections 25(1)(a) and 53(1) of the Act pursuant to section 129.2 of the Act and contrary to the public interest.

[237] We are not satisfied that MRS, DeRosa, Cavric, Sherman or Emmons gave a prohibited undertaking as to the future value or price of shares, contrary to subsection 38(2) of the Act, or made a prohibited representation as to the future listing of MRS shares on an exchange, contrary to subsection 38(3) of the Act.

[238] We are also not satisfied that Primequest, Cavric and DeRosa knew or ought to have known that the trades in MRS shares, directly or indirectly, had the effect of creating or contributing to a misleading appearance of trading activity in or an artificial price for MRS shares, contrary to section 3.1 of NI 23-101.

[239] Staff and the Respondents shall contact the Office of the Secretary to the Commission within ten days to schedule a sanctions and costs hearing.

DATED at Toronto, Ontario this 2nd day of February, 2011.

"Patrick J. LeSage"
Patrick J. LeSage, Q.C.

"Carol S. Perry"
Carol S. Perry

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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
RoaDor Industries Ltd.	07 Feb 11	18 Feb 11		

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

THERE ARE NO ITEMS FOR 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
Seprotech Systems Incorporated	04 Jan 11	17 Jan 11	17 Jan 11		

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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
12/13/2010	19	1525104 Alberta Ltd. - Common Shares	448,500.00	224,250.00
02/01/2010 to 12/01/2010	23	360 Degree US Realty Fund - Limited Partnership Units	6,110,597.18	61,099.65
01/14/2010	19	3840 Howard Avenue Limited Partnership - Units	2,200,000.00	44.00
12/20/2010	1	Aastrom Biosciences Inc. - Common Shares	102,191.63	45,000.00
02/01/2010 to 12/01/2010	5	Absolute Return Fund - Limited Partnership Units	422,000.00	4,218.29
01/01/2010 to 12/31/2010	1	Active International Equity Fund B - Units	948.42	45.42
01/01/2010 to 12/31/2010	1	ACWI Ex-US Superfund A - Units	5,529,370.99	303,794.95
01/01/2010 to 12/31/2010	1	ACWI Ex-US Superfund B - Units	17,692,955.74	889,997.82
01/01/2010 to 10/01/2010	7	Adaly Opportunity Fund - Units	9,104,128.84	4,580.57
10/29/2010	1	AIA Group Limited - Common Shares	67,340,000.00	26,000,000.00
12/06/2010	2	AK Steel Corporation - Notes	8,495,866.88	8,549,300.00
05/03/2010	1	All Weather Portfolio Limited - Units	102,860,000.00	86,229.79
01/01/2010 to 12/31/2010	1	Alpha Tilts Fund B - Units	1,653,080.27	52,186.07
11/01/2010 to 12/01/2010	50	Alternative Asset Trust - Trust Units	2,930,391.71	29,202.97
01/11/2011	1	Amarin Corporation PLC - Common Shares	75,200.00	10,000.00
12/30/2010	7	Amazon Mining Holding PLC - Units	4,503,600.00	1,080,000.00
12/07/2010	2	American Tower Corporation - Notes	11,101,223.10	11,000,000.00
05/06/2010 to 12/07/2010	1	AMI Balanced Fund - Units	28,681,267.89	2,861,521.00
01/01/2010 to 10/25/2010	2	AMI Balanced Pooled Fund - Units	496,841.33	53,329.00
01/01/2010	1	AMI Canadian Equity Pooled Fund - Units	117,451.41	17,878.83
01/01/2010 to 10/25/2010	2	AMI Capped Canadian Equity Pooled Fund - Units	9,803,642.47	756,768.00
01/01/2010	1	AMI Corporate Bond Pooled Fund - Units	136,136.92	13,324.42

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2010	1	AMI Fixed Income Pooled Fund - Units	41,958.79	3,349.58
01/01/2010 to 10/01/2010	3	AMI Growing Income Pooled Fund - Units	373,138.89	30,537.00
01/01/2010 to 11/09/2010	12	AMI Small Cap Pooled Fund - Units	3,428,122.26	51,759.00
01/01/2010 to 12/31/2010	30	Anson Investments Offshore Fund Ltd. - Units	8,929,893.32	N/A
01/01/2009 to 12/31/2009	4	Anson Investments Offshore Fund Ltd. - Units	818,133.00	755.00
01/01/2008 to 12/31/2008	4	Anson Investments Offshore Fund Ltd. - Units	714,474.80	N/A
01/01/2007 to 12/31/2007	10	Anson Investments Offshore Fund Ltd. - Units	1,664,117.00	N/A
12/28/2010	1	AppZero Software Corp. - Common Shares	50,000.00	50,000.00
12/15/2010	3	Atkore International, Inc. - Notes	2,759,625.00	27,500.00
01/24/2011	22	Augen Capital Corp. - Units	890,908.83	12,727,269.00
01/20/2011	25	AXEA Capital Corp. - Common Shares	374,500.00	2,496,667.00
01/20/2011	10	Azabache Energy Inc. - Units	5,499,999.68	19,642,856.00
10/01/2010	130	Balestra Global Ltd. - Common Shares	724,296,110.00	50,000.00
01/17/2011	1	Bank of Montreal - Debt	1,500,000.00	1,500,000.00
12/13/2010	3	Bard Ventures Ltd. - Common Shares	5,000.00	100,000.00
12/02/2010	3	Bard Ventures Ltd. - Common Shares	5,000.00	100,000.00
12/02/2010	3	Bard Ventures Ltd. - Common Shares	5,000.00	100,000.00
01/20/2011	3	Barkerville Gold Mines Ltd. - Common Shares	335,000.00	250,000.00
12/30/2010	4	Barlow Exploration Inc. - Common Shares	2,500,000.00	1,250,000.00
12/31/2010	4	Batavia Energy Corp. - Common Shares	112,500.00	750,000.00
12/31/2010	6	Batavia Energy Corp. - Flow-Through Shares	214,200.00	1,428,000.00
01/28/2011	1	Birch Hill Equity Partners IV, L.P. - Limited Partnership Interest	500,000.00	500,000.00
04/01/2010 to 12/31/2010	1	BlackRock Mortgage (Offshore) Investors AIV I, L.P. - Limited Partnership Interest	514,813.07	514,813.07
01/01/2010 to 12/31/2010	14	BluMont Capital NR Private Equity Fund LP 1 - Units	1,076,000.00	1,076.00
01/01/2010 to 12/31/2010	19	BluMont Core Hedge Fund - Units	1,808,746.65	17,797.60
01/01/2010 to 12/31/2010	28	BluMont Hirsch Performance Fund - Units	717,911.76	30,747.81

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
06/30/2010 to 12/31/2010	6	BMO Asset Management Balanced Fund - Units	9,404,343.36	59,348.23
01/29/2010 to 12/31/2010	14	BMO Asset Management Bond Fund - Units	3,063,946.32	119,396.55
11/04/2010 to 12/31/2010	2	BMO Asset Management Core Alpha Fund - Units	113,243,212.67	5,661,211.56
01/21/2010 to 12/31/2010	7	BMO Asset Management Foreign Equity Fund - Units	8,452,658.18	614,638.37
11/26/2010 to 12/31/2010	1	BMO Asset Management Long Bond Alpha Fund - Units	10,040,054.50	502,002.90
11/19/2010	1	BMO Asset Management Pure Alpha Fund - Units	40,000,000.00	2,000,000.00
01/04/2010 to 12/31/2010	4	BMO Asset Management Small Cap Fund - Units	12,601,877.13	597,613.37
12/21/2010	1	BNP Paribas Arbitrage Issuance B.V. - Certificates	256,077.11	229.00
12/09/2010	1	BNP Paribas Arbitrage Issuance B.V. - Certificates	55,289.89	50.00
12/30/2010	17	Bold Ventures Inc. - Units	390,200.35	1,190,525.00
01/17/2011	8	Bonaventure Enterprises Inc. - Common Shares	169,089.85	3,381,797.00
04/01/2010	1	Bridgewater All Weather Portfolio II Ltd. - Units	39,384,510.00	37,950.00
02/18/2010 to 11/01/2010	5	Bridgewater Pure Alpha Fund II, Ltd. - Units	303,430,584.50	182,745.71
01/04/2010 to 10/01/2010	3	Bridgewater Pure Alpha Funds Ltd. - Units	18,373,677.96	8,634.81
12/01/2010	1	Bridgewater Pure Alpha Major Markets II Ltd. - Units	5,430,195.11	5,233.92
11/01/2010	2	Bridgewater Pure Alpha Major Markets Ltd. - Units	84,393,060.00	81,800.00
01/04/2010 to 06/30/2010	7	B.S.P. Funds Canada Inc. - Units	2,000,000.00	N/A
12/22/2010	5	Cadillac Ventures Inc. - Units	1,628,176.36	5,368,487.00
12/17/2010	41	Calston Exploration Inc. - Units	19,546,950.00	26,098,600.00
12/09/2010	2	Camelot Information Systems Inc. - Common Shares	3,150,576.00	160,000.00
11/03/2010 to 12/31/2010	68	Canadian ABCP Fund LP - Limited Partnership Interest	20,802,000.00	208,020.00
02/08/2010 to 12/24/2010	26	Canadian Short Term Bond Fund - Units	15,611,040.00	1,562,984.20
01/01/2010 to 12/31/2010	1	Canso Catalina Fund - Units	1,000.00	200.07
01/01/2010 to 12/31/2010	49	Canso Corporate Bond Fund, Class C - Units	34,585,065.33	5,943,246.12
01/01/2010 to 12/31/2010	9	Canso Corporate Securities Fund - Units	111,119.70	21,795.42

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2010 to 12/31/2010	39	Canso Corporate Value Fund - Units	14,491,261.15	N/A
01/01/2010 to 12/31/2010	66	Canso Corporate Value Fund Class A - Units	4,929,245.95	N/A
01/01/2010 to 12/31/2010	47	Canso Corporate Value Fund Class F - Units	3,267,159.47	N/A
01/01/2010 to 12/31/2010	117	Canso Corporate Value Fund Class O - Units	43,454,399.02	N/A
01/01/2010 to 12/31/2010	5	Canso Income Fund - Units	43,500.20	8,992.56
01/01/2010 to 12/31/2010	6	Canso Inflation-Linked Fund - Units	87,128.47	16,091.54
01/01/2010 to 12/31/2010	2	Canso North Star Fund - Units	5,400.00	916.27
01/01/2010 to 12/31/2010	2	Canso Preservation Fund - Units	9,369.50	1,053.88
01/01/2010 to 12/31/2010	2	Canso Reconnaissance Fund - Units	2,500.00	676.02
01/01/2010 to 12/31/2010	1	Canso Retirement and Savings Fund - Units	125,000.00	23,437.21
06/30/2010 to 11/30/2010	4	Capital Growth Fund Limited Partnership - Units	430,000.00	202.52
01/13/2011	19	CareVest Capital Blended Mortgage Investment Corp. - Preferred Shares	280,475.00	280,475.00
01/13/2011	6	CareVest Capital First Mortgage Investment Corp. - Preferred Shares	26,666.00	26,666.00
12/21/2010	1	Caribou Coffee Company Inc. - Common Shares	1,491,000.00	150,000.00
12/14/2010	19	Challenger Deep Resources Corp. - Units	1,000,000.00	2,000,000.00
12/14/2010	4	Champlain Resources Inc. - Common Shares	381,100.00	560,000.00
12/22/2010	2	Chieftain Metals Inc. - Flow-Through Shares	1,274,999.00	411,290.00
01/05/2011	1	China Direct Industries Inc. - Units	1,000,000.80	194,445.00
01/06/2010 to 03/25/2010	8	CMS Gaming Partners, Q, L.P. - Limited Partnership Units	1,719,230.00	2.00
01/07/2011	13	Colorado Resources Ltd. - Units	500,000.00	555,556.00
03/01/2010	1	Conservative Income Fund - Limited Partnership Units	50,000.00	501.54
10/29/2010 to 12/30/2010	2	Cowen Healthcare Royalty Partners II L.P. - Limited Partnership Interest	41,052,270.00	41,052,270.00
04/30/2010 to 12/31/2010	3	Creststreet Opportunities Fund Inc. - Common Shares	375,000.00	19,730.56
10/13/2010 to 10/15/2010	1	CS Trust - Units	164,159,969.03	6,956,182.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2010 to 12/31/2010	40	Delaney Capital Balanced Fund - Units	2,718,369.56	15,705.19
01/01/2010 to 12/31/2010	83	Delaney Capital Equity Fund - Units	13,295,945.11	81,225.53
01/04/2010 to 04/30/2010	3	Desautels Fixed Income Fund - Trust Units	326,500.00	32,865.55
01/04/2010 to 04/30/2010	5	Desautels Global Equity Fund - Trust Units	1,065,000.00	104,826.88
12/22/2010	1	Development Notes Limited Partnership - Units	75,000.00	75,000.00
01/14/2011	1	Diamond Technologies Inc - Units	25,000.00	100,000.00
12/29/2010	4	Dianor Resources Inc. - Common Shares	2,000,000.00	30,769,230.00
01/01/2010 to 12/31/2010	55	Diversified Private Trust - Units	3,905,240.52	219,308.12
12/23/2010	29	Divestco Inc. - Units	3,481,547.74	909,100.00
04/01/2010 to 08/01/2010	2	DKAM Financial Service Venture LP - Limited Partnership Units	200,000.00	2,041.26
12/09/2010	4	DNI Metals Inc. - Flow-Through Shares	600,000.00	5,000,000.00
12/23/2010	1	DNI Metals Inc. - Units	240,000.00	2,000,000.00
12/31/2010	3	Duncan Ross Equity Fund - Units	32,655.00	216.80
12/31/2010	1	Duncan Ross Pooled Trust - Units	4,294,645.91	16,528.04
01/07/2011	1	Duran Ventures Inc. - Units	1,001,000.00	7,700,000.00
01/01/2010 to 12/31/2010	5	EAFE Equity Index Fund B - Units	32,627,154.63	663,221.60
12/29/2009	1	East Coast Energy Inc. - Flow-Through Shares	10,000.00	66,667.00
07/02/2009	1	East Coast Energy Inc. - Units	25,000.00	250,000.00
09/10/2009	1	East Coast Energy Inc. - Units	25,000.00	250,000.00
11/06/2009	1	East Coast Energy Inc. - Units	25,000.00	250,000.00
04/01/2010 to 12/01/2010	30	East Coast Performance Fund LP - Limited Partnership Units	92,835,000.00	929,539.96
12/23/2010 to 12/31/2010	35	Eloro Resources Ltd. - Units	2,000,000.00	32,607,500.00
01/01/2010 to 12/31/2010	1	EM Small Cap NL Fund B - Units	764,979.07	79,422.22
01/14/2011	127	EmberClear Corp. - Common Shares	9,200,000.00	6,517,429.00
12/30/2010	8	Emerald Bay Energy Inc. - Units	215,000.00	4,300,000.00
11/01/2010 to 12/01/2010	7	Emergence Fund - Limited Partnership Units	1,500,000.00	15,000.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
07/30/2010 to 10/12/2010	78	EnergyThree LP - Limited Partnership Units	49,760,840.24	49,736.00
01/01/2010 to 09/01/2010	3	Eosphoros Asset Management Fund I, LP - Units	6,275,000.00	60,194.82
01/01/2010 to 08/01/2010	5	Epic Canadian Long Short Opportunities Fund LP - Limited Partnership Interest	3,330,000.00	1,448.88
01/01/2010 to 12/31/2010	6	Epic Income Fund - Units	2,410,882.05	130,278.08
12/15/2010	1	Equitable Group Inc. - Debentures	20,000,000.00	20,000,000.00
12/22/2010	48	Esperanza Silver Corporation - Common Shares	5,955,145.00	2,926,900.00
12/30/2010 to 12/31/2010	13	Excalibur Resources Ltd. - Flow-Through Units	267,000.00	1,780,000.00
12/16/2010	4	Exploration Puma Inc. - Units	1,000,000.00	5,000,000.00
01/01/2010 to 12/31/2010	1	Extended Alpha Tilts Fund B - Units	1,499,853.79	90,693.98
01/01/2010 to 12/31/2010	1	Extended Equity Market Fund B - Units	1,078,597.97	8,438.22
01/01/2010 to 12/31/2010	3	ExxonMobil Canada Ltd. Master Trust - Units	54,704,512.90	4,149,548.57
01/01/2010 to 12/31/2010	38	Fiera Absolute Bond Yield Fund - Units	17,796,000.00	1,781,746.05
01/01/2010 to 12/31/2010	37	Fiera Active Fixed Income Fund - Units	233,099,240.00	22,598,872.76
01/01/2010 to 12/31/2010	20	Fiera Balanced Fund - Units	41,946,885.00	4,193,162.16
01/01/2010 to 12/31/2010	33	Fiera Canadian Bond Fund - Ethical - Units	76,060,382.00	1,870,076.17
01/01/2010 to 12/31/2010	47	Fiera Canadian Equity Ethical Fund - Units	47,611,000.00	3,890,457.66
01/01/2010 to 12/31/2010	111	Fiera Canadian Equity Growth Fund - Units	47,985,339.00	6,102,872.30
01/01/2010 to 12/31/2010	33	Fiera Canadian Equity Value Fund - Units	56,135,499.00	4,150,590.33
01/01/2010 to 12/31/2010	1	Fiera Canadian High Yield Bond Fund - Units	1,500,000.00	144,298.76
01/01/2010 to 12/31/2010	44	Fiera Diversified Lending Fund - Units	32,421,138.00	3,219,442.48
01/01/2010 to 12/31/2010	78	Fiera Global Equity Fund - Units	72,565,700.00	9,962,990.79
01/01/2010 to 12/31/2010	108	Fiera Global Macro Fund - Units	34,828,501.00	3,489,066.22
01/01/2010 to 12/31/2010	31	Fiera Infrastructure Fund I - Units	31,351,417.00	3,142,987.99

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2010 to 12/31/2010	80	Fiera International Equity Fund - Units	18,816,966.00	1,493,396.67
01/01/2010 to 12/31/2010	50	Fiera International Equity Fund - Units	29,927,069.00	2,938,570.62
01/01/2010 to 12/31/2010	46	Fiera Long Short Equity Fund - Units	22,239,376.00	2,223,937.56
01/01/2010 to 12/31/2010	1563	Fiera Market Neutral Equity Fund - Units	708,378,095.00	8,835,927.46
01/01/2010 to 12/31/2010	139	Fiera Money Market Fund - Units	259,883,080.00	22,838,070.07
01/01/2010 to 12/31/2010	166	Fiera North American Market Neurtal Fund - Units	112,151,343.00	11,215,134.34
01/01/2010 to 12/31/2010	80	Fiera Private Wealth Canadian Equity Fund - Units	9,934,289.00	758,389.80
01/01/2010 to 12/31/2010	198	Fiera Private Wealth Income Fund - Units	94,168,872.00	12,725,317.64
01/01/2010 to 12/31/2010	27	Fiera Private Wealth US Equity Fund - Units	3,916,332.00	1,174,627.50
01/01/2010 to 12/31/2010	53	Fiera Short Term Investment Fund - Units	126,246,811.00	12,624,681.11
01/01/2010 to 12/31/2010	138	Fiera Tactical Fixed Income Fund - Units	161,888,228.00	15,497,168.18
01/01/2010 to 12/31/2010	35	Fiera US Equity Ethical Fund - Units	17,835,000.00	2,468,993.09
01/01/2010 to 12/31/2010	48	Fiera US Equity Fund - Units	17,709,811.00	312,458.25
12/29/2010	1	First Leaside Expansion Limited Partnership - Notes	450,000.00	450,000.00
12/22/2010 to 12/24/2010	5	First Leaside Expansion Limited Partnership - Units	167,867.00	167,867.00
12/23/2010	1	First Leaside Mortgage Fund - Trust Units	50,000.00	50,000.00
01/17/2010	1	First Leaside Mortgage Fund - Trust Units	190,000.00	190,000.00
12/23/2010 to 12/27/2010	3	First Leaside Ultimate Limited Partership - Units	75,160.00	74,080.00
12/22/2010 to 12/24/2010	9	First Leaside Universal Limited Partnership - Units	660,000.00	660,000.00
12/22/2010 to 12/24/2010	2	First Leaside Visions II Limited Partnership - Units	104,703.00	104,703.00
01/12/2011 to 01/18/2011	12	First Leaside Wealth Management Fund - Limited Partnership Interest	107,932.00	107,932.00
12/22/2010 to 12/24/2010	45	First Leaside Wealth Management Fund - Units	5,036,939.00	5,036,939.00
01/01/2010 to 12/31/2010	65	Fonds Hexavest Mondial - Units	793,851,684.00	1,556,584.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
09/29/2010 to 12/31/2010	5	FondsHexavest Actions Canadiennes - Units	7,933,131.00	32,081.00
12/23/2010	1	Franconia Minerals Corporation - Common Shares	2,500,000.00	3,906,250.00
01/01/2010 to 12/31/2010	13	Front Street Canadian Hedge - Units	7,566,871.09	487,143.42
03/01/2010	1	FrontPoint Offshore Asia Pacific Fund Ltd. - Common Shares	494,997.50	475.00
12/07/2010	4	FXCM Inc. - Common Shares	5,957,295.12	421,308.00
01/10/2011	19	Galliard Resources Corp. - Units	1,642,500.00	6,570,000.00
07/30/2010 to 12/31/2010	9	Garrison Hill Macro Opportunities Fund - Units	844,075.50	8,318.65
01/01/2010 to 12/31/2010	69	Genesis Partners Fund LP - Limited Partnership Interest	13,503,581.00	13,503,581.00
12/07/2010	11	Geo Minerals Ltd. - Units	159,000.00	3,180,000.00
01/19/2011	1	GeoResources, Inc. - Common Shares	124,237.50	5,000.00
01/04/2010 to 12/30/2010	5	GIIC Global Fund - Units	30,941,115.91	2,888,075.97
12/29/2010	10	Gilead Power Corporation - Units	953,001.00	635,334.00
01/01/2010 to 12/31/2010	1	Global Ascent Ltd. - Units	120,249,245.15	5,887,185.87
01/01/2010 to 12/31/2010	1	Global EX-US Alpha Tilts Fund B - Units	2,750,431.31	1,670,283.51
11/26/2010	2	Globex Mining Enterprises Inc. - Common Shares	1,150,000.00	400,000.00
01/01/2010 to 12/31/2010	1	Glovernment/Credit Bond Index Fund B - Units	164,264.00	4,245.34
12/17/2010	7	Golden Hope Mines Ltd. - Common Shares	3,700,000.00	7,912,735.00
01/01/2010 to 12/31/2010	80	Growth and Income Private Trust - Units	9,644,454.77	637,375.08
02/18/2010 to 11/24/2010	2	Gryphon Canadian Equity Fund - Units	9,598,954.28	1,151,614.87
02/18/2010 to 09/02/2010	2	Gryphon Europac Fund - Units	2,234,100.00	271,175.77
01/21/2011	30	Gryphon Gold Corporation - Units	1,300,000.00	6,500,000.00
12/06/2010	8	Guelph Hydro Electric Systems Inc. - Debentures	65,000,000.00	65,000,000.00
12/01/2010	22	Highbank Resources Ltd. - Common Shares	322,500.00	6,450,000.00
01/04/2010 to 12/30/2010	272	Highstreet Balanced Fund - Units	28,101,237.04	1,995,517.60
01/04/2010 to 12/29/2010	131	Highstreet Canadian Equity Fund - Units	47,465,263.58	1,945,271.69

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/05/2010 to 12/15/2010	17	Highstreet Canadian Small Cap Fund - Units	1,875,344.36	167,054.76
02/19/2010 to 12/30/2010	57	Highstreet Conservative Balanced Fund - Units	17,032,869.25	1,680,830.48
01/04/2010 to 12/15/2010	17	Highstreet International Equity Fund A - Units	1,784,641.36	273,748.11
01/04/2010 to 12/30/2010	23	Highstreet U.S. Equity Fund - Units	4,522,340.95	600,355.97
05/31/2010 to 12/16/2010	67	Holy Land Investment Fund - Units	3,744,473.20	3,004.42
12/31/2010	2	Houston Lake Mining Inc. - Flow-Through Shares	500,000.00	3,125,000.00
01/13/2011	5	HSBC Bank Canada - Notes	1,482,000.00	N/A
01/18/2011	8	HSE Integrated Ltd. - Debentures	75,000.00	15.00
12/30/2010	21	HTX Minerals Corp. - Common Shares	1,127,500.00	2,255,000.00
01/17/2011	1	HTX Minerals Corp. - Common Shares	250,000.00	500,000.00
12/28/2010 to 12/30/2010	8	IGW Real Estate Investment Trust - Units	245,350.00	245,000.00
01/11/2011	5	IMD IP Holdings Corp. - Common Shares	250,000.00	6.00
05/20/2010 to 11/02/2010	6	In the Line of Fire Inc. - Common Shares	450,000.00	225,000.00
01/24/2011	101	Indigo Exploration Inc. - Units	2,299,100.00	7,663,666.00
01/01/2010 to 12/31/2010	3	International Alpha Tilts Fund B - Units	11,004,075.46	541,684.69
01/01/2010 to 12/31/2010	2	International Alpha Tilts Hedged CAD Fund B - Units	3,000,028.98	321,819.45
12/08/2010	2	International Montoro Resources Inc. - Common Shares	40,000.00	100,000.00
12/30/2010	9	iSign Media Solutions Inc. - Units	636,980.00	3,184,900.00
12/07/2010	1	Jaded Pixel Technologies Inc. - Preferred Shares	499,999.72	236,832.00
01/28/2010 to 12/31/2010	87	JC Clark Focused Opportunities Fund - Units	5,213,896.00	36,082.33
01/28/2010 to 12/31/2010	78	JC Clark Patriot Trust - Units	4,380,017.00	25,001.59
01/28/2010 to 12/31/2010	92	JC Clark Preservation Trust - Units	5,775,764.00	53,313.07
12/31/2010	12	Jomisc Preferred Dividend Fund - Pooled Fund - Preferred Shares	1,034,514.30	N/A
05/01/2010	2	KAIOG Opportunities L.P. - Units	25,000,100.00	250,001.00
12/14/2010	2	Kansas City Southern de Mexico, S.A. de C.V. - Notes	21,588,150.00	21,588,150.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2010 to 12/31/2010	123	KFA Balanced Pooled Fund - Units	5,196,702.00	N/A
07/01/2010 to 12/01/2010	2	King & Victoria Fund L.P. - Units	2,156,464.71	338.26
12/14/2010	2	Kodiak Oil & Gas Corp. - Common Shares	7,261,000.00	1,325,000.00
12/07/2010	17	KWG Resources Inc. - Common Shares	1,601,460.00	12,318,923.00
12/20/2010	1	Landry's Restaurants Inc. - Notes	531,675.00	500,000.00
01/01/2010 to 12/31/2010	619	Letko Brosseau Balanced Fund - Units	118,706,468.01	11,444,157.85
01/01/2010 to 12/31/2010	120	Letko Brosseau Bond Fund - Units	9,920,028.04	935,839.86
01/01/2010 to 12/31/2010	28	Letko Brosseau Equity Fund - Global Investors - Units	2,643,392.98	341,496.57
01/01/2010 to 12/31/2010	359	Letko Brosseau Equity Fund - Units	72,748,364.08	7,048,481.04
01/01/2010 to 12/31/2010	6	Letko Brosseau Equity Fund Inc. - CL B (Non-Vot) - Units	5,680,198.70	524,992.31
01/01/2010 to 12/31/2010	1	Letko Brosseau Equity Fund Inc. - CL C (Vot) - Units	5,933,857.37	595,266.89
01/01/2010 to 12/31/2010	10	Letko Brosseau ESG Balanced Fund - Units	16,251,437.52	1,619,393.87
01/01/2010 to 12/31/2010	144	Letko Brosseau International Equity Fund - Units	46,312,165.66	5,595,843.24
01/01/2010 to 12/31/2010	594	Letko Brosseau RSP Balanced Fund - Units	260,350,133.04	25,851,926.13
01/01/2010 to 12/31/2010	173	Letko Brosseau RSP Bond Fund - Units	36,644,168.17	3,470,153.67
01/01/2010 to 12/31/2010	259	Letko Brosseau RSP Equity Fund - Units	25,982,532.13	2,712,851.99
01/01/2010 to 12/31/2010	131	Letko Brosseau RSP International Equity Fund - Units	20,572,708.89	2,643,455.17
01/01/2010 to 12/31/2010	7	Letko Brosseau Social Integrity Fund - Units	12,090,353.85	1,327,949.76
01/01/2010 to 12/31/2010	27	Lincluden Private Trust - Units	414,767.24	112,129.92
12/29/2010	1	Lord Lansdowne Inc. - Units	450,001.80	450,180.00
12/13/2010	7	Lovitt Resources Inc. - Units	97,900.00	178,000.00
10/14/2010 to 11/05/2010	4	LS Real Estate Recovery Fund (Offshore) L.P. - Limited Partnership Interest	6,373,206.22	N/A
12/16/2010	26	Matamec Explorations Inc. - Common Shares	5,750,000.00	13,800,000.00
12/23/2010	6	Matamec Explorations Inc. - Units	1,150,000.00	2,870,000.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
12/07/2010	24	Merc International Minerals Inc. - Units	999,999.99	9,090,909.00
12/17/2010	13	Metanor Resources Inc. - Common Shares	2,746,272.98	5,332,568.00
01/12/2011	12	Metropolitan Life Global Funding I - Notes	209,000,000.00	209,000,000.00
01/11/2011	1	Micromem Technologies Inc. - Common Shares	150,000.00	750,000.00
01/04/2011	1	Micromem Technologies Inc. - Common Shares	50,000.00	250,000.00
01/10/2011	1	Millrock Resources Inc. - Common Shares	39,150.00	45,000.00
12/06/2010	25	Mirasol Resources Ltd. - Units	9,300,000.00	3,000,000.00
01/01/2010 to 12/31/2010	1	MSCI Austria Equity Index Fund B - Units	134,880.08	3,062.15
01/01/2010 to 12/31/2010	1	MSCI Belgium Equity Index Fund B - Units	40,711.51	888.83
01/01/2010 to 12/31/2010	1	MSCI EAFE IMI Index Fund B - Units	10,190,490.04	1,165,069.00
01/01/2010 to 12/31/2010	4	MSCI Emerging Markets Free Fund B - Units	5,739,952.12	200,371.61
01/01/2010 to 12/31/2010	1	MSCI France Equity Index Fund B - Units	81,121.18	1,001.21
01/01/2010 to 12/31/2010	1	MSCI Germany Equity Index Fund B - Units	103,456.03	1,766.34
01/01/2010 to 12/31/2010	1	MSCI Greece Equity Index Fund B - Units	1,185,223.88	122,223.88
01/01/2010 to 12/31/2010	1	MSCI Ireland Equity Index Fund B - Units	27,857.33	2,221.54
01/01/2010 to 12/31/2010	1	MSCI Italy Equity Index Fund B - Units	173,424.23	5,404.85
01/01/2010 to 12/31/2010	1	MSCI Japan Equity Index Fund B - Units	42,959.02	2,510.03
01/01/2010 to 12/31/2010	1	MSCI Netherlands Equity Index Fund B - Units	4,983.09	51.83
01/01/2010 to 12/31/2010	1	MSCI New Zealand Equity Index Fund B - Units	24,425.89	967.49
01/01/2010 to 12/31/2010	1	MSCI Norway Equity Index Fund B - Units	92,531.10	1,505.38
01/01/2010 to 12/31/2010	1	MSCI Portugal Equity Index Fund B - Units	348,519.04	24,141.42
01/01/2010 to 12/31/2010	1	MSCI Spain Equity Index Fund B - Units	293,998.59	4,215.09
01/01/2010 to 12/31/2010	1	MSCI Switzerland Equity Index Fund B - Units	7,294.55	75.24
01/01/2010 to 12/31/2010	56	Natcan Canadian Bond Fund - Units	43,182,549.00	487,505.45

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2010 to 12/31/2010	19	Natcan Canadian Equity Fund - Units	28,829,992.00	72,389.51
01/01/2010 to 12/31/2010	1	Natcan Canadian Equity Growth Fund - Units	3,852,478.00	30,309.92
01/01/2010 to 12/31/2010	25	Natcan Global Equity Fund - Units	20,788,048.00	296,925.47
01/01/2010 to 12/31/2010	37	Natcan International Equity Fund - Units	21,878,710.00	33,957.90
01/01/2010 to 12/31/2010	189	Natcan Money Market Fund - Units	2,248,676,460.00	2,248,676.46
01/01/2010 to 12/31/2010	5	Natcan Small Cap Equity Fund - Units	2,074,465.00	1,674.43
01/01/2010 to 12/31/2010	8	Natcan U.S. Equity Index Fund - Units	1,344,000.00	6,326.00
03/31/2010 to 12/31/2010	25	New Gen Asset Management Ltd. - Units	3,843,143.32	N/A
01/18/2011	1	New Solutions Financial (II) Corporation - Debentures	300,000.00	1.00
11/26/2010	20	NexgenRx Inc. - Units	1,550,050.00	5,166,833.00
01/01/2010 to 12/31/2010	88	Nexus North American Equity Fund - Units	10,823,878.01	771,714.88
12/22/2010	2	NMC Mining Corp. - Common Shares	1,200,000.00	2,400,000.00
01/01/2010 to 12/27/2010	135	Northern Citadel Mortgage Investment Trust - Trust Units	318,000.00	31,800.00
01/01/2010 to 12/31/2010	2	Northern Rivers Innovation Fund LP - Units	50,000.00	25.11
10/01/2010	7	Northleaf Global Private Equity Investors (Canada) V LP - Limited Partnership Units	70,837,220.00	6,877.40
01/22/2010	1	Northleaf/CFOF Canadian Private Equity Holdings II LP - Limited Partnership Interest	400,000,000.00	400,000,000.00
01/22/2010	5	Northleaf/CFOF II GPC LP - Limited Partnership Interest	2,000,000.00	2,000,000.00
01/10/2011	1	Northquest Ltd. - Common Shares	0.00	500,000.00
01/11/2011	5	NRG Energy, Inc. - Notes	41,401,800.00	5.00
12/16/2010	22	NXA Inc. - Units	720,000.00	720.00
12/20/2010	7	Oak Bay Limited Partnership - Units	835,000.00	835.00
12/31/2010	1	Ocean Park Ventures Corp. - Flow-Through Shares	381,680.00	449,035.00
01/04/2010 to 12/01/2010	9	OCP Debt Opportunitiy International Ltd. - Common Shares	10,617,192.00	10,185.68
01/04/2010 to 12/01/2010	2	OCP Senior Credit Fund International Ltd. - Common Shares	112,814.65	99.35

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
02/01/2010	3	OCP Senior Floating Income International Ltd. - Common Shares	30,000,000.00	30,000.00
11/23/2010	3	Omega Healthcare Investors, Inc. - Notes	5,627,050.00	350,000,000.00
12/01/2010	2	Omnicare Inc. - Notes	2,540,000.00	500,000,000.00
12/24/2010	4	Ondine BioMedical Inc - Units	667,550.00	1,027,000.00
12/09/2010	32	Online Energy Inc. - Common Shares	10,100,315.00	7,747,300.00
01/13/2011	2	OTT China Fund - Trust Units	986,800.00	98,680.00
01/01/2010 to 12/31/2010	1	Pan Asia Opportunities Fund Ltd. - Units	287,383,800.00	419,594.90
01/01/2010 to 12/31/2010	28	Panorama Fund - Units	10,629,515.32	924,184.27
01/01/2010 to 12/31/2010	202	Panorama Private Client Fund - Units	19,743,293.93	1,292,639.42
01/01/2010 to 09/01/2010	7	Parkwood Limited Partnership Fund - Limited Partnership Units	7,749,075.04	7,308.97
01/01/2010 to 12/31/2010	25	Peregrine Investment Management Fund L.P. - Units	6,455,000.00	1,844.01
01/01/2010 to 11/30/2010	22	Periscope Fund LP - Units	6,087,648.34	5,889.80
12/17/2010 to 12/21/2010	70	Petro-Reef Resources Ltd. - Units	6,100,000.00	0.00
12/15/2010	11	Petrocapita Income Trust - Preferred Shares	416,590.00	416,590.00
01/01/2010 to 12/31/2010	954	Phillips, Hager & North Absolute Return Fund - Trust Units	211,381,354.08	16,568,200.49
01/01/2010 to 12/31/2010	1	Phillips, Hager & North Custom Interest Rate Overlay Fund - Trust Units	944,872,881.55	93,878,113.18
01/01/2010 to 12/31/2010	1	Phillips, Hager & North Enhanced Total Return Bond Fund - Trust Units	1,985,471.76	191,007.05
01/01/2010 to 12/31/2010	1	Phillips, Hager & North Foreign Bond Fund - Trust Units	776,736.06	384,085.74
01/01/2010 to 12/31/2010	59	Phillips, Hager & North High Grade Corporate Bond Fund - Trust Units	1,634,655.02	162,162.46
01/01/2010 to 12/31/2010	6	Phillips, Hager & North Institutional S.T.I.F. - Trust Units	31,734,467.89	3,173,446.79
01/01/2010 to 12/31/2010	2	Phillips, Hager & North Investment Grade Corporate Bond Trust - Trust Units	5,389,488.55	655,582.10
01/01/2010 to 12/31/2010	62	Phillips, Hager & North Long Bond Pension Trust - Trust Units	5,009,857.12	457,860.11
01/01/2010 to 12/31/2010	1	Phillips, Hager & North Long Corporate Bond Pension Trust - Trust Units	1,400,273.65	139,518.57
01/01/2010 to 12/31/2010	1	Phillips, Hager & North Long Mortgage Pension Trust - Trust Units	333,435.18	32,105.34

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2010 to 12/31/2010	217	Phillips, Hager & North Mortgage Pension Trust - Trust Units	21,830,003.62	2,064,588.76
01/12/2011	1	Potentia Solar Inc. - Common Shares	525,000.00	525,000.00
01/01/2010 to 12/31/2010	39	Primevestfund - Units	1,097,861.02	46,609.86
01/01/2010 to 12/31/2010	9	Private Client Balanced Growth Portfolio - Trust Units	610,721.49	59,751.57
01/01/2010 to 12/31/2010	8	Private Client Balanced Income Portfolio - Trust Units	1,498,756.82	148,772.13
01/01/2010 to 12/31/2010	51	Private Client Balanced Portfolio - Trust Units	2,850,077.15	234,349.41
01/01/2010 to 12/31/2010	203	Private Client Bond Portfolio - Trust Units	21,833,434.01	1,993,711.58
01/01/2010 to 12/31/2010	256	Private Client Canadian Equity Income & Growth Portfolio II - Trust Units	4,669,850.89	337,247.84
01/01/2010 to 12/31/2010	203	Private Client Canadian Equity Portfolio - Trust Units	4,974,448.70	305,429.50
01/01/2010 to 12/31/2010	200	Private Client Canadian Value Portfolio - Trust Units	5,447,678.29	350,425.91
01/01/2010 to 12/31/2010	164	Private Client Global Equity Portfolio - Trust Units	11,555,051.83	2,089,305.11
01/01/2010 to 12/31/2010	24	Private Client Growth Portfolio - Trust Units	186,460.52	18,067.11
01/01/2010 to 12/31/2010	222	Private Client High Yield Bond Portfolio - Trust Units	5,369,304.94	507,137.67
01/01/2010 to 12/31/2010	20	Private Client International Equity Portfolio - Trust Units	550,496.50	64,831.03
01/01/2010 to 12/31/2010	226	Private Client Money Market Portfolio - Trust Units	25,586,531.20	2,561,782.36
01/01/2010 to 12/31/2010	19	Private Client Multi Strategy Portfolio - Trust Units	935,566.13	82,689.78
01/01/2010 to 12/31/2010	123	Private Client Short Term Bond Portfolio - Trust Units	79,888,610.39	775,954.03
01/01/2010 to 12/31/2010	155	Private Client Small Cap Portfolio II - Trust Units	2,200,455.37	166,926.23
01/01/2010 to 12/31/2010	2	Private Client Socially Responsible Canadian Equity Portfolio - Trust Units	5,161.17	560,916.00
01/01/2010 to 12/31/2010	29	Private Client US Equity Income & Growth Portfolio - Trust Units	709,898.40	71,833.45
01/01/2010 to 12/31/2010	23	Private Client US Equity Portfolio - Trust Units	172,323.37	34,141.82
12/30/2010	2	Private Client US Market Neutral Portfolio - Trust Units	300,000.00	3,000.00
11/08/2010	2	Quantus V3 Fund LP - Limited Partnership Units	301,110.00	300.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
12/03/2010	18	Radius Gold Inc. - Common Shares	3,766,498.45	5,794,613.00
01/13/2011	2	Rainy Mountain Royalty Corp. - Common Shares	8,000.00	50,000.00
12/30/2010 to 12/31/2010	49	Rallyemont Energy Inc. - Common Shares	4,868,112.30	5,277,140.00
01/01/2010 to 12/31/2010	2	RBC Institutional Long Cash Fund - Trust Units	16,103,399.92	1,627,075.70
08/31/2010 to 12/31/2010	108	Red Sky Partners Fund - Trust Units	37,643,333.33	375,626.27
12/23/2010 to 12/31/2010	62	RedWater Energy Corp. - Units	1,918,032.06	4,566,743.00
01/08/2010 to 12/17/2010	44	Redwood Long/Short Conservative Equity Fund - Units	2,033,869.20	183,612.05
12/21/2010	38	Relentless Resources Ltd. - Common Shares	1,000,000.40	3,333,335.00
12/30/2010	8	Rencore Resources Ltd. - Units	231,300.00	613,000.00
05/15/2009	9	Revolution Technologies Inc. - Common Shares	60,000.00	100,000,000.00
05/15/2009	4	Revolution Technologies Inc. - Common Shares	102,000.00	10,200,000.00
05/15/2009	3	Revolution Technologies Inc. - Common Shares	6,900.00	100,000,000.00
12/23/2010	1	Ridgemont Iron Ore Corp. - Flow-Through Shares	350,000.00	546,875.00
12/30/2010	24	RJK Explorations Ltd. - Units	249,900.00	3,570,000.00
04/01/2010 to 10/01/2010	7	ROMC Fund - Units	2,262,204.25	226,220.00
12/31/2009 to 12/31/2010	42	Rosseau Limited Partnership - Limited Partnership Units	24,981,005.88	2,014.00
01/19/2011	7	Royal Bank of Canada - Notes	695,730.00	700.00
01/19/2011	12	RTN Stealth Software Inc. - Units	499,999.81	9,523,809.00
01/01/2010 to 12/31/2010	1	Russell 1000 Alpha Tilts Fund B - Units	30,263,627.69	1,249,659.48
01/01/2010 to 12/31/2010	1	Russell 3000 Alpha Tilts Fund B - Units	420,180.88	18,229.39
01/01/2010 to 12/31/2010	6	Russell Extended Duration Fund (Class A) - Units	21,345,169.75	203,134.27
12/30/2010 to 12/31/2010	28	Sanatana Diamonds Inc. - Common Shares	1,726,500.02	10,155,883.00
01/14/2011	14	Sanatana Diamonds Inc. - Units	1,000,000.00	6,666,666.00
12/17/2010	13	Sand Technology Inc. - Options	0.00	2,150,636.00
10/04/2010	3	Sarama Resources Limited - Common Shares	330,000.00	3,049,569.00
01/01/2010 to 12/31/2010	45	Sceptre Balanced Fund - Units	87,664,451.00	812,112.42

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/01/2010 to 12/31/2010	5	Sceptre Bond Fund - Units	2,066,644.92	3,139.60
01/01/2010 to 12/31/2010	17	Sceptre Canadian Equity Fund - Units	43,866,778.22	164,805.60
01/01/2010 to 12/31/2010	2	Sceptre EFT Fund - Units	4,976,193.04	15,796.48
01/01/2010 to 12/31/2010	2	Sceptre Equity Fund - Units	1,137,352.37	1,714.69
01/01/2010 to 12/31/2010	13	Sceptre Foreign Equity Fund - Units	54,880,356.99	836,903.73
01/01/2010 to 12/31/2010	3	Sceptre International Equity Fund - Units	209,814.00	758.05
01/01/2010 to 12/31/2010	11	Sceptre Money Market Fund - Units	22,211,816.43	151,863.62
01/01/2010 to 12/31/2010	2	Sceptre Small Cap Fund - Units	7,673,150.00	63,854,743.00
08/18/2010	1	Schwabo Capital Corporation - Common Shares	60,000.00	400,000.00
01/15/2010 to 04/23/2010	59	SciVest Commodity Index Plus Fund - Units	570,800.00	7,730.71
01/08/2010	1	SciVest Global Multiple Strategies Fund - Units	10,000.00	100.00
01/15/2010 to 12/03/2010	9	SciVest Market Neutral Equity Fund - Units	891,809.96	11,178.23
01/08/2010 to 10/15/2010	11	SciVest Special Opportunities Fund - Units	2,079,652.15	19,901.27
02/28/2010 to 09/30/2010	29	Sentry Select MBS Adjustable Rate Income Fund II - Trust Units	1,257,200.00	212,823.31
12/30/2010	11	Seymour Ventures Corp. - Receipts	420,000.00	600,000.00
12/21/2010	1	Sheltered Oak Resources Corp. - Units	525,000.00	5,000,000.00
12/23/2010	6	Silver Predator Corp. - Common Shares	2,610,000.00	2,610,000.00
12/23/2010	4	Sino Vanadium Inc. - Units	641,250.00	1,425,000.00
01/01/2010	10	Spartan Multi Strategy Fund Limited Partnership - Units	912,500.00	82,249.00
02/01/2010	16	Spartan Multi Strategy Fund Limited Partnership - Units	979,000.00	87,057.38
03/01/2010	23	Spartan Multi Strategy Fund Limited Partnership - Units	2,004,469.67	89,994.00
04/01/2010	20	Spartan Multi Strategy Fund Limited Partnership - Units	690,024.54	61,844.38
05/01/2010	7	Spartan Multi Strategy Fund Limited Partnership - Units	609,540.57	54,591.91
06/01/2010	7	Spartan Multi Strategy Fund Limited Partnership - Units	200,000.00	18,055.77
07/01/2010	4	Spartan Multi Strategy Fund Limited Partnership - Units	180,000.00	16,170.62
08/01/2010	13	Spartan Multi Strategy Fund Limited Partnership - Units	578,413.95	51,983.40

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
09/01/2010	18	Spartan Multi Strategy Fund Limited Partnership - Units	668,582.49	59,234.52
10/01/2010	18	Spartan Multi Strategy Fund Limited Partnership - Units	459,747.14	39,895.64
11/01/2010	10	Spartan Multi Strategy Fund Limited Partnership - Units	836,831.46	72,375.07
12/01/2010	14	Spartan Multi Strategy Fund Limited Partnership - Units	758,900.00	63,296.47
01/01/2010 to 12/31/2010	180	Sprott Absolute Return Income Fund - Units	16,112,671.69	1,577,159.46
12/03/2010	1	SPS Commerce Inc. - Common Shares	616,175.00	50,000.00
12/24/2010	24	Stealth Ventures Ltd. - Units	2,500,000.00	25,000,000.00
12/23/2010	64	Strateco Resources Inc. - Units	8,000,453.00	9,639,100.00
01/14/2011	2	Sumitomo Mitsui Banking Corporation - Notes	4,950,167.76	2.00
04/01/2010 to 12/01/2010	32	SW8 Strategy Fund L.P. - Units	7,502,000.00	750,200.00
01/01/2010 to 12/31/2010	1	S&P GSCI Energy Sector Fund A - Units	6,924,522.70	1,232,030.50
01/01/2010 to 12/31/2010	1	S&P GSCI Non-Energy Sector Fund A - Units	5,908,177.68	641,013.03
12/03/2010	28	Taku Gold Corp. - Units	7,008,400.00	11,060,000.00
12/09/2010	1	Tenneco Inc. - Notes	252,450.00	252,450.00
02/28/2010	11	Tera High Income Fund - Trust Units	77,525.88	3,083.80
02/19/2010	11	Terra High Income Fund - Units	77,525.88	3,083.80
02/01/2010 to 08/01/2010	2	The Alpha Scout Fund LP - Units	545,000.00	533.92
01/01/2010 to 12/31/2010	1	The Canso Fund - Units	2,000.00	358.52
12/29/2010	3	The CRS 2010 Limited Partnership - Limited Partnership Units	325,000.00	13.00
07/01/2010 to 12/01/2010	3	The Tailwind Fund LP - Limited Partnership Units	405,000.00	405.00
12/29/2010	10	Themis Solutions Inc. - Preferred Shares	500,001.00	346,306.00
12/03/2010	1	Thermadyne Holdings Corporation - Notes	505,000.00	500,000.00
12/09/2010	4	Touchdown Resources Inc. - Common Shares	198,000.00	1,200,000.00
02/28/2010 to 12/31/2010	5	Triasima Canadian All Capitalization Fund - Common Shares	538,325.09	47,164.22
02/28/2010 to 11/30/2010	17	Triasima Canadian Long/Short Fund - Units	6,889,705.71	699,580.77
02/28/2010 to 11/30/2010	6	Triasima Canadian Small Capitalization Fund - Common Shares	143,107.89	13,929.64

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
12/22/2010	3	Trijet Mining Corp. - Common Shares	610,100.00	3,715,000.00
04/30/2010 to 11/30/2010	6	Triumph Aggressive Opportunities Fund L.P. - Limited Partnership Units	2,170,947.97	2,151.73
01/01/2010 to 11/01/2010	8	Triumph Capital Appreciation Fund L.P. - Limited Partnership Units	2,004,369.48	2,004.37
12/29/2010	4	UBS AG - Certificates	361,811.44	372.00
12/10/2010	17	UBS AG - Notes	3,845,000.00	3,845,000.00
01/10/2011	14	United Media Partners Inc. - Common Shares	1,796,754.00	1,206,887.00
01/01/2010 to 12/31/2010	2	US Debt Index Fund - Units	4,785,810.00	84,142.47
01/01/2010 to 12/31/2010	2	US Equity Index Fund - Units	8,768,074.01	25,641.76
01/01/2010 to 12/31/2010	3	US Equity Index Fund B - Units	3,412,375.85	18,270.20
01/01/2010 to 12/31/2010	1	US Tips Fund B - Units	60,750,300.00	3,406,911.01
12/23/2010	2	Vanoil Energy Ltd. - Common Shares	712,500.00	1,425,000.00
02/01/2010 to 11/01/2010	4	Venator Catalyst Fund - Limited Partnership Units	402,000.00	32,322.02
01/01/2010 to 12/01/2010	15	Venator Founders Fund - Limited Partnership Units	3,883,256.14	208,372.99
02/01/2010 to 12/01/2010	29	Venator Income Fund - Trust Units	7,188,963.05	593,646.18
01/01/2010 to 11/01/2010	25	Venator Investment Trust - Trust Units	1,507,380.06	273,929.47
01/14/2011	2	Verint Systems Inc. - Common Shares	2,772,000.00	80,000.00
01/07/2011	5	VIQ Solutions Inc. - Units	1,032,500.00	2,065,000.00
12/13/2010	280	VIRxSYS Corporation - Warrants	29,655,358.07	26,242,486.00
07/01/2010 to 12/01/2010	48	Waratah Income Limited Partnership - Units	11,476,070.31	N/A
07/01/2010 to 12/01/2010	42	Waratah One Limited Partnership - Units	6,032,225.62	N/A
07/01/2010 to 12/01/2010	53	Waratah Performance Limited Partnership - Units	9,267,699.00	N/A
12/02/2010	24	Westminster Resources Ltd - Units	500,000.00	1,428,571.00
12/22/2010 to 12/27/2010	8	Wimberlay Apartments Limited Partnership - Units	255,246.90	394,475.00
12/29/2010 to 12/30/2010	5	Wimberly Apartments Limited Partnership - Units	36,278.21	56,216.00
01/13/2011	1	Wimberly Fund - Trust Units	5,000.00	5,000.00

Transaction Date	No. of Purchasers	Issuer/Security	Total Purchase Price ($)	No. of Securities Distributed
01/13/2011 to 01/14/2011	3	Wimberly Fund - Trust Units	30,021.00	30,021.00
12/22/2010 to 12/24/2010	2	Wimberly fund - Units	28,136.79	27,767.00
12/22/2010	2	Wimberly Fund - Units	73,070.00	73,070.00
12/22/2010	2	Wimberly Fund - Units	109,967.00	109,967.00
12/23/2010	2	WindTronics LLC - Units	215,629.20	534.00
01/01/2010 to 12/31/2010	5	Winton Futures Fund Limited - Units	96,920,560.00	964,000.00
03/31/2010 to 06/30/2010	18	Wolverine Opportunity Fund - Units	3,612,500.00	711,921.00
12/30/2010	2	WPC Resources Inc. - Common Shares	465,000.00	6,000,000.00
12/29/2010	1	Xtierra Inc. - Units	2,520,000.00	18,000,000.00
01/11/2011	1	Yukon-Nevada Gold Corp. - Common Shares	19,892.00	23,966.00
12/23/2010	1	Zenyatta Ventures Ltd. - Common Shares	885,000.00	14,750,000.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Advantaged Canadian High Yield Bond Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
Class A Units and Class F Units - Maximum $* (* Class A Units and Class F Units) Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
GMP Securities L.P.
National Bank Financial Inc.
TD Securities Inc.
Canccord Genuity Corp.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Acumen Capital Finance Partners Limited
Dundee Securities Ltd
Macquarie Private Wealth Inc.
Union Securities Ltd.
Wellington West Capital Market Inc.
Promoter(s):
Scotia Capital Inc.
Project #1692331

Issuer Name:
Black Iron Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated January 31, 2011
NP 11-202 Receipt dated February 1, 2011
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Canaccord Genuity Corp.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Dundee Securities Corporation
Macquarie Capital Markets Canada Ltd.
Promoter(s):
2051580 Ontario Inc.
Project #1692657

Issuer Name:
Brookfield Asset Management Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated January 31, 2011
NP 11-202 Receipt dated February 1, 2011
Offering Price and Description:
$502,605,000.00 -15,300,000 Class A Limited Voting Shares Price: $32.85 per Class A Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
Barclays Capital Canada Inc.
BMO Nesbitt Burns Inc.
Citigroup Global Markets Canada Inc.
Credit Suisse Securities (Canada), Inc.
Deutsche Bank Securities Limited
HSBC Securities (Canada) Inc.
J.P. Morgan Securities Canada Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #1692790

Issuer Name:
Canacol Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 1, 2011
NP 11-202 Receipt dated February 1, 2011
Offering Price and Description:
$50,094,000.00 - 36,300,000 Common Shares Price: $1.38 per Common Share
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
Canaccord Genuity Corp.
FirstEnergy Capital Corp.
Stifel Nicolaus Canada Inc.
Citigroup Global Markets Inc.
Mackenzie Research Capital Corporation
TD Securities Inc.
Promoter(s):
-
Project #1693095

Issuer Name:
Canadian Capital Auto Receivables Asset Trust II
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 8, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:

$ * - * % Auto Loan Receivables-Backed Notes, Series 2011-1, Class A-1
$ *- * % Auto Loan Receivables-Backed Notes, Series 2011-1, Class A-2
$ * - * % Auto Loan Receivables-Backed Notes, Series 2011-1, Class A-3
$ * - * % Auto Loan Receivables-Backed Notes, Series 2011-1, Class B
$ * - * % Auto Loan Receivables-Backed Notes, Series 2011-1, Class C
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Scotia Capital Inc.
Promoter(s):
Ally Credit Canada Limited
Project #1695121

Issuer Name:
Churchill 11 Debenture Corp.
Churchill 11 Real Estate Limited Partnership
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
Minimum: $5,000,000.00 (4,000 Units); Maximum: $30,000,000.00 (24,000 Units) Price: $1,250 per Unit
Minimum Subscription: $5,000
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Raymond James Ltd.
Scotia Capital Inc.
Promoter(s):
Churchill Real Estate Inc.
Project #1694897/1694898

Issuer Name:
CHY Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Non-Offering Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Scotia Capital Inc.
Project #1694424

Issuer Name:
CMQ Resources Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Long Form Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
Rights to Subscribe for up to ● Common Shares Price: $● per Common Share (upon the exercise of each ● (●) of a Right)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1694449

Issuer Name:
First Asset Energy & Resource Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 4, 2011
Offering Price and Description:
Offering of * Rights to Subscribe for up to * Units at a Subscription Price of: Three Rights and $ * per Unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1694275

Issuer Name:
First Asset Pipes & Power Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 4, 2011
Offering Price and Description:
Offering of * Rights to Subscribe for up to * Units at a Subscription Price of: Three Rights and $* per Unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1694274

Issuer Name:
First Uranium Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 3, 2011
NP 11-202 Receipt dated February 3, 2011
Offering Price and Description:
$* - * Common Shares Price: C$ * per Offered Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Raymond James Ltd.
BMO Nesbitt Burns Inc.
Macquarie Capital Markets Canada Ltd.
Paradigm Capital Inc.
Promoter(s):
-
Project #1693728

Issuer Name:
Forbes & Manhattan Coal Corp. (formerly Nyah Resources Corp.)
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 2, 2011
NP 11-202 Receipt dated February 2, 2011
Offering Price and Description:
$36,400,000.00 - 8,000,000 Common Shares Price: $4.55 per Offered Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Canaccord Genuity Corp.
Fraser Mackenzie Limited
Promoter(s):
Stan Bharti
Project #1693457

Issuer Name:
GLG LIFE TECH CORPORATION
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
$50,600,000.00 - 4,600,000 Units Price: $11.00 per Unit
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
GMP Securities LP
Scotia Capital Inc.
Desjardins Securities Inc.
Wellington West Capital Markets Inc.
Promoter(s):
-
Project #1694632

Issuer Name:
GMP Capital Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
$100,000,000.00 - 4,000,000 Cumulative 5-Year Rate Reset Preferred Shares, Series B Price: $25.00 per Series B Share to yield initially 5.50% per annum
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
GMP Securities L.P.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Canaccord Genuity Corp.
Macquarie Capital Markets Canada Ltd.
Desjardins Securities Inc.
Dundee Securities Ltd.
Haywood Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Wellington West Capital Markets Inc.
Promoter(s):
-
Project #1694723

Issuer Name:
Great Basin Gold Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated February 8, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
$75,008,250.00 - 29,415,000 Common Shares Price: $2.55 per Offered Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1695212

Issuer Name:
Gryphon Gold Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
US$ *- C$* - * Common Shares @ US$* (C$*) per Offered Share
Underwriter(s) or Distributor(s):
Acumen Capital Finance Partners Limited
Promoter(s):
-
Project #1694454

Issuer Name:
GTU Portfolio Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Non-Offering Prospectus dated February 1, 2011
NP 11-202 Receipt dated February 2, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Harvest Portfolios Group Inc.
Project #1693275

Issuer Name:
Investors Canadian Corporate Bond Fund
Principal Regulator - Manitoba
Type and Date:
Preliminary Simplified Prospectus dated February 3, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
Mutual Fund Units
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Investors Group Securities Inc.
Investors Group Financial Services Inc. and Investors Group Securities Inc.
Promoter(s):
I.G. Investment Management Ltd.
Project #1694644

Issuer Name:
Legacy Oil + Gas Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
$124,832,500.00 - 8,350,000 Common Shares Price: $14.95 per Common Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Macquarie Capital Markets Canada Ltd.
FirstEnergy Capital Corp.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Canaccord Genuity Corp.
Cormark Securities Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1694812

Issuer Name:
Manas Petroleum Corporation
Principal Regulator - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated January 31, 2011
NP 11-202 Receipt dated February 2, 2011
Offering Price and Description:
Minimum Offering: US$20,000,000.00 - * Shares;
Maximum Offering: US$30,000,000.00 -* Shares
Price: US$ * per Common Stock
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
-
Project #1693248

Issuer Name:
Marret MSIF Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Non-Offering Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Marret Asset Management Inc.
Project #1694717

Issuer Name:
Marret Multi-Strategy Income Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Long Form Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
Maximum $ * - (Maximum *Class A Units and/or Class F Units) Price: $12.00 per Class A Unit and $12.00 per Class F Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
GMP Securities L.P.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Canaccord Genuity Corp.
Raymond James Ltd.
Wellington West Capital Markets Inc.
Macquarie Private Wealth Inc.
Manulife Securities Incorporated
Promoter(s):
Marret Asset Management Inc.
Project #1692330

Issuer Name:
MBAC Fertilizer Corp.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
$36,890,000.00 - 11,900,000 Common Shares Price: $3.10 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
BMO Nesbitt Burns Inc.
Wellington West Capital Markets Inc.
GMP Securities L.P.
Promoter(s):
-
Project #1694729

Issuer Name:
Midway Gold Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Base Shelf Prospectus dated February 2, 2011
NP 11-202 Receipt dated February 2, 2011
Offering Price and Description:
US$60,000,000.00:
Common Shares
Warrants
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1693360

Issuer Name:
New Millennium Capital Corp.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 8, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
$55,000,001.00 - 15,714,286 Common Shares Price: $3.50 per Common Share
Underwriter(s) or Distributor(s):
Jennings Capital Inc.
Credit Suisse Securities (Canada), Inc.
CIBC World Markets Inc.
Haywood Securities Inc.
Promoter(s):
-
Project #1695155

Issuer Name:
Orocobre Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 8, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
$20,000,000.00 - 6,250,000 Ordinary Shares Price: $3.20 per Ordinary Share
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
Dundee Securities Ltd.
Canaccord Genuity Corp.
CIBC World Markets Inc.
Byron Securities limited
Promoter(s):
-
Project #1694994

Issuer Name:
Painted Pony Petroleum Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 3, 2011
NP 11-202 Receipt dated February 3, 2011
Offering Price and Description:
$80,010,000.00 - 7,620,000 Class A Shares Price: $10.50 per Class A Share
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
FirstEnergy Capital Corp.
Wellington West Capital Markets Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Promoter(s):
-
Project #1693936

Issuer Name:
Porto Energy Corp.
Principal Regulator - Alberta
Type and Date:
Preliminary Long Form Prospectus dated February 1, 2011
NP 11-202 Receipt dated February 1, 2011
Offering Price and Description:
Minimum: 60,000,000.00 Common Shares ($60,000,000) - Maximum: 70,000,000.00 Common Shares ($70,000,000)
Price: $1.00 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
TD Securities Inc.
FirstEnergy Capital Corp.
Haywood Securities Inc.
Promoter(s):
Christopher D. Wright
Joseph P. Ash
Patric Monteleone
Project #1693129

Issuer Name:
Powertech Uranium Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
$17,500,000.00 - Minimum Offering ● Units $● Maximum Offering - ● Units
Price: $● per Unit
Underwriter(s) or Distributor(s):
Salman Partners Inc.
Dundee Securities Ltd.
Promoter(s):
-
Project #1694768

Issuer Name:
RONA inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 4, 2011
Offering Price and Description:
$150,000,000.00 - 6,000,000 5.25% Cumulative 5-Year Rate Reset Series 6 Class A Preferred Shares Price: $25.00 per share to yield initially 5.25% per annum
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
Desjardins Securities Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Promoter(s):
-
Project #1694205

Issuer Name:
SCITI Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 1, 2011
NP 11-202 Receipt dated February 2, 2011
Offering Price and Description:
$ * - Warrants to Subscribe for up to 15,116,997 Units at a Subscription Price of $ *
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
Promoter(s):
-
Project #1693335

Issuer Name:
Sprott Silver Bullion Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated February 1, 2011
NP 11-202 Receipt dated February 2, 2011
Offering Price and Description:
Series A, F and I Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Sprott Asset Management LP
Project #1693456

Issuer Name:
Timbercreek Global Real Estate Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 4, 2011
Offering Price and Description:
$100,000,000.00 (* Units) Maximum Price: $ * per Class A Unit and $ * per Class B Unit Minimum Purchase: 250 Class A Units or 1,000 Class B Units
Underwriter(s) or Distributor(s):
Raymond James Ltd.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
GMP Securities L.P.
HSBC Securities (Canada) Inc.
Manulife Securities Incorporated
Scotia Capital Inc.
National Bank Financial Inc.
Canaccord Genuity Corp.
Macquarie Capital Markets Canada Ltd.
M Partners Inc.
Promoter(s):
Timbercreek Asset Management Ltd..
Project #1694271

Issuer Name:
Arcan Resources Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
$75,000,000.00 - 6.25% Convertible Unsecured Subordinated Debentures due February 28, 2016 Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Haywood Securities Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Paradigm Capital Inc.
Wellington West Capital Markets Inc.
PI Financial Corp.
Stifel Nicolaus Canada Inc.
Promoter(s):
-
Project #1692525

Issuer Name:
Argosy Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 2, 2011
NP 11-202 Receipt dated February 2, 2011
Offering Price and Description:
$12,550,000.00: $8,850,000.00 - 3,000,000 Common Shares; and $3,700,000.00 - 1,000,000 Flow-Through Shares Price: $2.95 per Common Share
$3.70 per Flow-Through Share
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Desjardins Securities Inc.
Canaccord Genuity Corp.
Clarus Securities Inc.
Maison Placements Canada Inc.
Promoter(s):
-
Project #1690555

Issuer Name:
Arsenal Energy Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 3, 2011
NP 11-202 Receipt dated February 3, 2011
Offering Price and Description:
$18,800,500.00 - 19,790,000 Common Shares Price: $0.95 per Common Share
Underwriter(s) or Distributor(s):
Wellington West Capital Markets Inc.
PI Financial Corp.
Canaccord Genuity Corp.
Casimir Capital Ltd.
Promoter(s):
-
Project #1691610

Issuer Name:
Azure Dynamics Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 4, 2011
NP 11-202 Receipt dated February 4, 2011
Offering Price and Description:
$17,500,000.00 - 53,030,303 Common Shares Price: $0.33 per Offered Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Cormark Securities Inc.
National Bank Financial Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #1691403

Issuer Name:
Bri-Chem Corp.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 2, 2011
NP 11-202 Receipt dated February 3, 2011
Offering Price and Description:
Up to $6,000,000.00 - Up to 2,000,000 Common Shares Price: $3.00 Per Offered Share
Underwriter(s) or Distributor(s):
Macquarie Private Wealth Inc.
Promoter(s):
-
Project #1688284

Issuer Name:
Brookfield Asset Management Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated January 31, 2011
NP 11-202 Receipt dated February 1, 2011
Offering Price and Description:
$215,000,000.00 - 8,600,000 Cumulative Class A Preference Shares, Series 28 Offering Price: $25.00 per Series 28 Share to yield initially 4.60% per annum
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Brookfield Financial Corp.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Dundee Securities Corporation
Macquarie Capital Markets Canada Ltd.
Promoter(s):
-
Project #1689931

Issuer Name:
Brookfield Asset Management Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
$502,605,000.00 - 15,300,000 Class A Limited Voting Shares Price: $32.85 per Class A Share
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
Barclays Capital Canada Inc.
BMO Nesbitt Burns Inc.
Citigroup Global Markets Canada Inc.
Credit Suisse Securities (Canada), Inc.
Deutsche Bank Securities Limited
HSBC Securities (Canada) Inc.
J.P. Morgan Securities Canada Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #1692790

Issuer Name:
Equal Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 2, 2011
NP 11-202 Receipt dated February 2, 2011
Offering Price and Description:
$45,000,000.00 - 6.75% Convertible Unsecured Junior Subordinated Debentures Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
CIBC World Markets Inc.
Desjarinds Securities Inc.
Wellington West Capital Markets Inc.
Canaccord Genuity Corp.
Jennings Capital Inc.
Promoter(s):
-
Project #1690532

Issuer Name:
Exall Energy Corporation
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 1, 2011
NP 11-202 Receipt dated February 1, 2011
Offering Price and Description:
$11,500,000.00 - 5,750,000 Common Shares issuable on the exercise of outstanding Special Warrants
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Clarus Securities Inc.
Stonecap Securities Inc.
D&D Securities Inc.
Promoter(s):
-
Project #1689034

Issuer Name:
Ford Auto Securitization Trust
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
Up to $3,500,000,000.00 of Asset-Backed Notes
Underwriter(s) or Distributor(s):
-
Promoter(s):
Ford Credit Canada Limited
Project #1692283

Issuer Name:
Fortress Paper Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated February 3, 2011
NP 11-202 Receipt dated February 3, 2011
Offering Price and Description:
$50,042,250.00 - 967,000 Common Shares Price: $51.75 per Offered Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Dundee Securities Corporation
RBC Dominion Securities Inc.
Cormark Securities Inc.
TD Securities Inc.
Acumen Capital Finance Partners Limited
Promoter(s):
-
Project #1690459

Issuer Name:
Horizons BetaPro S&P/TSX 60™ Bull Plus ETF
Horizons BetaPro S&P/TSX 60™ Bear Plus ETF
Horizons BetaPro S&P/TSX Global Base Metals™ Bull Plus ETF
Horizons BetaPro S&P/TSX Global Base Metals™ Bear Plus ETF
Horizons BetaPro COMEX® Gold Bullion Bull Plus ETF
Horizons BetaPro COMEX® Gold Bullion Bear Plus ETF
Horizons BetaPro NYMEX® Crude Oil Bull Plus ETF
Horizons BetaPro NYMEX® Crude Oil Bear Plus ETF
Horizons BetaPro NYMEX® Natural Gas Bull Plus ETF
Horizons BetaPro NYMEX® Natural Gas Bear Plus ETF
Horizons BetaPro S&P/TSX 60™ Inverse ETF
Horizons BetaPro S&P/TSX Capped Financials™ Inverse ETF
Horizons BetaPro S&P/TSX Capped Energy™ Inverse ETF
Horizons BetaPro S&P/TSX Global Gold™ Inverse ETF
Horizons BetaPro S&P 500® Inverse ETF
Horizons BetaPro NYMEX® Natural Gas Inverse ETF
Horizons BetaPro NYMEX® Crude Oil Inverse ETF
Horizons BetaPro NYMEX® Long Natural Gas/Short Crude Oil Spread ETF
Horizons BetaPro NYMEX® Long Crude Oil/Short Natural Gas Spread ETF
Horizons BetaPro COMEX® Copper ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated February 2, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
Class A Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
BetaPro Management Inc.
Project #1681405

Issuer Name:
Investors Fixed Income Flex Portfolio
Principal Regulator - Manitoba
Type and Date:
Final Simplified Prospectus and Annual Information Form dated January 31, 2011
NP 11-202 Receipt dated February 4, 2011
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
INVESTORS GROUP FINANCIAL SERVICES INC.
INVESTORS GROUP SECURITIES INC.
Investors Group Financial Services Inc. and Investors Group Securities Inc.
Promoter(s):
I.G. INVESTMENT MANAGEMENT, LTD.
Project #1678579

Issuer Name:
Jov Leon Frazer Preferred Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated February 3, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
Class A, F, I and T Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1680977

Issuer Name:
Kallisto Energy Corp.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 7, 2011
NP 11-202 Receipt dated February 7, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Acumen Capital Finance Partners Limited
Promoter(s):
-
Project #1690140

Issuer Name:
Prosperity Goldfields Corp.
Principal Regulator - British Columbia
Type and Date:
Final Long Form Prospectus dated February 2, 2011
NP 11-202 Receipt dated February 2, 2011
Offering Price and Description:
Distribution by Evolving Gold Corp. as a Dividend-in-Kind of Common Shares of the Company
Underwriter(s) or Distributor(s):
-
Promoter(s):
EVOLVING GOLD CORP.
Project #1673898

Issuer Name:
Qwest Energy 2011 Flow-Through Limited Partnership
Principal Regulator - British Columbia
Type and Date:
Final Long Form Prospectus dated February 3, 2011
NP 11-202 Receipt dated February 4, 2011
Offering Price and Description:
Maximum Offering: $50,000,000.00 (2,000,000 Units);
Minimum Offering: $5,000,000.00 (200,000 Units)
Price: $25 per Unit Minimum Purchase: 100 Units
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
Macquarie Private Wealth Inc.
Manulife Securities Incorporated
Raymond James Ltd.
Canaccord Genuity Corp.
GMP Securities L.P.
HSBC Securities (Canada) Inc.
Wellington West Capital Markets Inc.
Promoter(s):
Qwest Investment Management Corp.
Project #1679848

Issuer Name:
Ridgewood Canadian Bond Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated February 1, 2011 to the Simplified Prospectus and Annual Information Form dated March 26, 2010
NP 11-202 Receipt dated February 3, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Ridgewood Capital Asset Management Inc.
Promoter(s):
Ridgewood Capital Asset Management Inc..
Project #1533795

Issuer Name:
Rodinia Lithium Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 1, 2011
NP 11-202 Receipt dated February 1, 2011
Offering Price and Description:
$10,005,000.00 - 17,250,000 Units PRICE: $0.58 per Unit
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Byron Securities Limited
Macquarie Capital Markets Canada Ltd.
Raymond James Ltd.
Promoter(s):
-
Project #1689606

Issuer Name:
Talison Lithium Limited
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 8, 2011
NP 11-202 Receipt dated February 8, 2011
Offering Price and Description:
$69,569,500.00 - 10,703,000 Ordinary Shares Price: $6.50 per Ordinary Share
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
Scotia Capital Inc.
Haywood Securities Inc.
Byron Securities Limited
Promoter(s):
-
Project #1688155

Issuer Name:
TD Comfort Balanced Portfolio
TD Comfort Balanced Growth Portfolio
(Investor Series Securities
Principal Regulator - Ontario
Type and Date:
Amendment No. 1 dated January 27, 2011 to the Simplified Prospectuses dated July 21, 2010 (SP amendment no. 1) and Amendment No. 2 dated January 27, 2011 (together with SP amendment no . 1, "amendment no. 2") to the Annual Information Form dated July 21, 2010
NP 11-202 Receipt dated February 1, 2011
Offering Price and Description:
Investors Series Securities @ Net Asset Value
Underwriter(s) or Distributor(s):
TD Investment Services Inc.
TD Investment Services Inc. (for Investor Series units)
TD Investment Services Inc. (for Investor Series and e-Series units)
TD Investment Services Inc.(for Investor Series units)
TD Investment Services Inc. (for Investor Series and e-Series Units)
TD Investment Services Inc. (for Investor Series)
TD Asset Management Inc. (for Investor Series units)
TD Investment Services Inc. (for Investor Series and Premium Series units)
Promoter(s):
TD Asset Management Inc.
Project #1594953

Issuer Name:
Wi-LAN Inc.
Principal Regulator - Ontario
Type and Date:
Amendment dated February 1, 2011 to the Short Form Prospectus dated January 27, 2011
NP 11-202 Receipt dated February 3, 2011
Offering Price and Description:
$75,240,000.00 - 11,400,000 COMMON SHARES
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Paradigm Capital Inc.
Wellington West Capital Markets Inc.
Canaccord Genuity Corp.
Fraser Mackenzie Limited
NCP Northland Capital Partners Inc.
Promoter(s):
-
Project #1688658

Issuer Name:
CanGrowth Dividend Fund
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Long Form Prospectus dated December 17, 2010
Withdrawn on February 1, 2011
Offering Price and Description:
$* (Maximum) - * Class A Combined Unit, each Class A Combined Unit consists of one Class A Unit and one Warrant for one Class A Unit Price: $10.00 per Class A Combined Unit; * Class F Combined Unit, each Class F Combined Unit consists of one Class F Unit and one Warrant for one Class F Unit
Price: $10.00 per Class F Combined Unit
Underwriter(s) or Distributor(s):
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Canaccord Genuity Corp.
GMP Securities L.P.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Desjardins Securities Inc.
Dundee Securities Corporation
Manulife Securities Incorporated
Wellington West Capital Markets Inc.
Macquarie Private Wealth Inc.
Union Securities Ltd.
Promoter(s):
TD Sponsored Companies Inc.
Project #1677921

Issuer Name:
Del Toro Silver Corp.
Principal Jurisdiction - British Columbia
Type and Date:
Preliminary Long Form Prospectus dated November 5, 2010
Withdrawn on February 2, 2011
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mark McLeary
Project #1655128

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Voluntary Surrender	Bureen Financial Management Corporation	Exempt Market Dealer	December 23, 2010
Name Change	From: Castlerock Investments Corp. To: Castlerock Investments Inc.	Exempt Market Dealer and Portfolio Manager	January 21, 2011
Change in Registration Category	Harrow Partners Ltd.	From: Portfolio Manager and Exempt Market Dealer To: Portfolio Manager, Exempt Market Dealer and Commodity Trading Manager	February 2, 2011
Voluntary Surrender	Agellan Capital Markets Inc.	Exempt Market Dealer	February 3, 2011
Consent to Suspension (Pending Surrender)	Redev Corporation	Exempt Market Dealer	February 3, 2011
New Registration	The Mortgage Corner Ltd.	Exempt Market Dealer	February 3, 2011
Change in Registration Category	McLean Budden Limited	From: Mutual Fund Dealer, Portfolio Manager, Exempt Market Dealer and Investment Fund Manager To: Mutual Fund Dealer, Portfolio Manager and Investment Fund Manager	February 4, 2011
Change in Registration Category	Stuart Investment Management Limited	From: Investment Dealer To: Investment Dealer, Futures Commission Merchant	February 4, 2011

Type	Company	Category of Registration	Effective Date
Suspended	Bioenterprise Corporation	Exempt Market Dealer	February 4, 2011
Change in Registration Category	Newport Investment Counsel Inc.	From: Exempt Market Dealer and Portfolio Manager To: Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	February 4, 2011
Change in Registration Category	HughesLittle Investment Management Ltd.	From: Portfolio Manager and Exempt Market Dealer To: Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	February 7, 2011
Reinstatement	McNulty Private Capital Inc.	Exempt Market Dealer	February 8, 2011
Consent to Suspension	Mustang Capital Partners Inc.	Exempt Market Dealer	February 8, 2011
Change in Registration Category	Vengrowth Capital Management Inc.	From: Portfolio Manager To: Portfolio Manager and Investment Fund Manager	February 8, 2011

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 Plain language rule re-write project – Dealer Member Organization and Registration Rules – Proposed Rules 2100 – 2700

PLAIN LANGUAGE RULE RE-WRITE PROJECT –
DEALER MEMBER ORGANIZATION AND REGISTRATION RULES –
PROPOSED RULES 2100 – 2700

Summary of the nature and purpose of the proposed Rule

On April 30, 2010, the Board of Directors ("the Board") of the Investment Industry Regulatory Organization of Canada ("IIROC") approved the publication for comment of proposed Dealer Member Rules 2100 through 2700 relating to Dealer Member organization and registration (collectively, the "Proposed Rules").

IIROC has undertaken a project to rewrite its rules in plain language. The primary objective of this project is to develop a set of rules that is more clear, concise and organized, without changing the rules themselves. In addition we have identified a number of rules that also require substantive revisions.

The new rules will be submitted to the Board and issued for public comments in 8 tranches. This tranche submitted to the Board and issued for public comments includes the following substantive change rules:

(1) Rule 2100, *Ownership of a Dealer Member's Securities*;

(2) Rule 2150, *Dealer Member Structure*;

(3) Rule 2200, *Dealer Member Membership Changes*; and

(4) Rule 2450, *Acceptable Back Office Arrangements*.

The existing rules relating to ownership, structure, IIROC membership, and back office arrangements of Dealer Members have been identified as requiring substantive revisions in order to:

- eliminate unnecessary rule provisions;
- clarify IIROC's expectations with respect to certain rules;
- ensure that the rules reflect actual IIROC practices; and
- ensure consistency with other IIROC Dealer Member rules and applicable legislation.

Issues and specific proposed amendments

Current rules

Other than the proposed substantive revisions set out below, the Proposed Rules do not create any new obligations for Dealer Members and have been drafted to clarify the existing Rules with respect to Dealer Member organization and registration.

Proposed Rules

In addition to the plain language rewrite of the existing requirements to create the Proposed Rules, the following substantive amendments are proposed:

- *Issuing certain types of securities*: Existing Dealer Member Rule 5.2 requires Dealer Members to obtain IIROC approval before issuing subordinated debt, restrictive securities, and limited participation securities. In the case of issuances of restrictive and limited participation securities, IIROC only has a regulatory interest where the issuances

result in a change in Dealer Member ownership percentages and/or the acquisition of a significant equity interest. Since changes in ownership percentages and/or the acquisition of a significant equity interest already require approval under a separate existing rule (as well as a separate proposed plain language rule), the requirement to approve issuances of restrictive and limited participation securities has been repealed. *[2102]*

- *Delegates of District Council*: The proposed Rules 2100 and 2150 relating to ownership of a Dealer Member's securities and structure of a Dealer Member have been rewritten to allow for delegation of some of the District Council's authority. This was done to reflect existing practice and to make the proposed Rules consistent with other Corporation Rules that allow for District Councils to delegate authority for certain functions to subcommittees of the District Council or to IIROC staff. *[2107-2109, 2116, 2154, 2156]*

- *Prospectuses and underwriting of Dealer Member issues*: Existing Dealer Member Rule 5.9 requires Dealer Members to issue a prospectus and comply with securities laws when publicly distributing their own securities. It also allows Dealer Members to distribute their own securities by way of either an agency or bought deal, and either through another underwriter or itself as underwriter. This section is unnecessary and will be removed in proposed section 2110. All Dealer Members must comply with securities laws and issue a prospectus or alternative to a prospectus under those laws if distributing to the public. Also, Dealer Members are permitted to use any form of underwriting, as long as it complies with securities law, so it is unnecessary to enumerate the possibilities. The requirement in existing Rules 5.9 and 5.10 for Dealer Members to publish summaries of at least two independent valuations if they are underwriting more than 25% of their own issue, or are issuing through another underwriter on an agency basis, will be retained. This requirement is necessary to address conflict issues that may arise when a Dealer Member underwrites its own issues or issues through another underwriter as agent. *[2110]*

- *Private sales*: Existing Dealer Member Rule 5.11 allows private sales of Dealer Member securities, so long as they are not sold publicly until a prospectus is filed in accordance with securities laws. It also indicates that after a prospectus is filed, the Dealer Member must comply with continuous disclosure requirements under securities laws. The Rule indicates that the Dealer Member must satisfy its District Council that arrangements have been made to preclude the development of a public trading market in the securities. This Rule is unnecessary, since all Dealer Members must file a prospectus under applicable securities laws before its securities are publicly traded, and then they also must comply with continuous disclosure requirements. This section will therefore be removed. *[2100]*

- *Take-over bids and amalgamations*: Dealer Member Rule 5.12(a) indicates that a Dealer Member may distribute securities through a take-over bid or amalgamation, but that it must satisfy its District Council as to:

  "(i) The stage in the transaction at which prospectus-type information will be provided;

  (ii) The securities commission that will be responsible for reviewing and commenting on the information;

  (iii) The persons to whom the prospectus or similar document will be distributed;

  (iv) The rescission or withdrawal rights to be made available if the document contains a material inaccuracy"

  Dealer Members must provide information as required in securities laws and regulation, so these requirements are duplicative. Additionally, it is inappropriate that IIROC pass judgment on which securities commission is reviewing documentation. Furthermore, withdrawal and rescissions rights are included in securities legislation. For these reasons, this section will be removed from the plain language rewrite of this rule. The requirement that valuations be obtained in non-arm's length transactions will be retained. *[2111]*

- *Compliance with securities legislation or regulations*: Dealer Member Rule 5.16A provides that the provisions of Rules 5.9 to 5.16 do not apply if a Dealer Member's activity is in compliance with any securities legislation or regulation that specifically addresses the activity in question. With the removal of rules that overlap with securities legislation and regulation as contemplated above, this provision will no longer be required and will be removed. *[2100]*

- *Related companies and associates*: Existing Dealer Member Rule 6.3 requires that a Dealer Member, or an executive, director, investor, or employee of a Dealer Member, obtain District Council approval before investing in related companies or associates. In proposed section 2154, the requirement for approval prior to investing in associates has been removed. Investment in other entities is only relevant to IIROC if it is in another broker dealer or adviser, and the requirement to obtain approval for this has been retained. *[2154]*

- *Confidentiality of client information*: In proposed Rule 2157(13), the provisions relating to confidentiality of client information in shared premises have been amended so as not to duplicate federal and provincial privacy legislation. *[2157]*

- *Reasons for resigning*: In existing Dealer Member Rule 8.2, Dealer Members are required to provide the reasons for their resignation. In proposed Rule section 2203, this requirement has been removed. IIROC's primary concern is ensuring that clients are properly protected in the event of a resignation. Provided a Dealer Member fulfills the other requirements of resignation, including providing audited financial statements that show the Dealer Member is able to meet its liabilities, IIROC is not primarily concerned with the reasons for the resignation. Therefore this requirement was determined to be unnecessary. *[2203]*

- *Representations on acquisition or amalgamation of Dealer Members*: Currently, Dealer Member Rules 8.3 and 8.3A require that, upon the acquisition of a Dealer Member by another Dealer Member, or amalgamation of Dealer Members, the remaining Dealer Members must certify that they have sufficient liquid assets to meet all the liabilities, other than subordinated loans. Current Dealer Member Rule 17.1 also requires all Dealer Members maintain adequate risk adjusted capital (based on comparing liquid assets to liabilities) at all times. This would include Dealer Members that remain after acquisition and amalgamation transactions. The separate certification requirements in Rules 8.3 and 8.3A are therefore redundant and have been removed from sections 2204 (Acquisitions) and 2205 (Amalgamations). IIROC normally requires pro forma financial statements in acquisitions and amalgamations of Dealer Members, and this has been codified in the proposed Rule. *[2204-2206]*

- *Effective date of resignation*: Dealer Member Rule 8.5 currently indicates that a resignation will take effect on the "close of business" on the day that IIROC determines the resigning Dealer has met the requirements of the resignation rules. This wording has been removed in proposed Rule 2207, as it is unnecessarily specific. Also, a requirement that IIROC publish a notice indicating the effective date of resignation of a Dealer Member has been added. It has historically been the practice of IIROC to publish a notice indicating the effective date of resignations, and this practice is being formalized in the rule. *[2207]*

- *Suspension and termination of membership*: Dealer Member Rule 8.8 currently allows for termination of the membership of a Dealer Member if the Dealer Member has ceased its activities in the securities business or has been acquired by a non-member. Before a termination can take place, the Dealer Member must be given the opportunity for a hearing in accordance with the Consolidated Enforcement Rules (currently contained in Dealer Member Rule 20) and the applicable District Council must approve the termination. Proposed Rules 2210 and 2211 seek to:

  - broaden the scope of this rule to include the ability to suspend members; and
  - require IIROC approval (rather than District Council approval) of the termination / suspension.

  The proposed rules will continue to give the affected Dealer Member the opportunity for a hearing in accordance with the Consolidated Enforcement Rules. *[2210-2211]*

- *New defined terms*: Current Dealer Member Rule 35 does not include definitions for the terms "Canadian registered firm", "introducing broker / carrying broker arrangement" and "clearing arrangement". Definitions for these terms have been added to codify current guidance as to which back office sharing arrangements are acceptable to IIROC and which activities performed collectively comprise an introducing broker / carrying broker arrangement and a clearing arrangement. *[2460(2) though (4)]*

- *New restriction on Type 3 and 4 introducing brokers:* When the rules for introducing broker / carrying broker arrangements were originally developed, the intention was that the client accounts of the introducing broker would all be reported on one of the arrangement broker's book – either those of the introducing broker or the carrying broker. The current rule wording, however, does not specifically prohibit a Dealer Member from entering into a Type 3 or 4 introducing broker / carrying broker arrangement and then subsequently entering into a Type 1 or 2 introducing broker / carrying broker arrangement. This prohibition has now been added to the proposed rule. *[2473(1)(iv)]*

- *Arrangement approval streamlining:* The following are the current approval processes that apply to various arrangements:

Arrangement type	Approval process
Introducing broker / carrying broker arrangement between two Dealer Members	Applicable District Council approval [Rule 35.1(b)]
Introducing broker / carrying broker arrangement between Dealer Member and foreign affiliated dealer	Applicable District Council approval of exemption application [Rule 35.6]
Clearing arrangement between Dealer Member and foreign affiliated dealer	Applicable District Council approval of exemption application [Rule 35.1(h) or 35.6]
Clearing arrangement between Dealer Member and domestic affiliated dealer / arms-length dealer	Board of Director approval for exemption from all requirements [Rule 35.1(h)]

  The proposed rule:

  - adopts one process for the approval of introducing broker / carrying broker arrangements, IIROC approval; and
  - exempts other arrangements, such as certain clearing arrangements, from requiring IIROC approval. *[2474(1)(i), 2474(1)(iv), 2485(1)(iii) and 2491(1)]*

- *Margin requirements to be provided by the carrying broker:* The current rule indicates that margin must be provided by the carrying broker for introducing broker unsettled principal trading positions but does not specify how the margin requirement is to be calculated. The proposed rule clarifies that the carrying broker must provide margin on any introducing broker unsettled principal trading positions on an equity deficiency basis. This clarification is consistent with the normal margin treatment of inter-dealer balances. *[2475(3)(i), 2476(3)(i), 2477(3)(i) and 2478(3)(i)]*

- *Deposits provided to the carrying broker by the introducing broker:* The proposed rule clarifies that deposits provided by the introducing broker to the carrying broker must be reported by the carrying broker as a liability on its Form 1 and MFR. This reflects current practice and Canadian GAAP. The requirements wording for Type 3 and 4 Arrangements has also been conformed to the wording of the current requirements for Type 1 and 2 Arrangements. *[2475(7)(i), 2476(7)(i), 2477(7) and 2478(7)]*

- *Insurance coverage requirements of the introducing broker:* The proposed rule clarifies that the client net equity of introduced accounts must be considered by Type 1 and 2 introducing brokers when determining adequacy of insurance coverage. This is consistent with the insurance coverage requirements set out in Dealer Member Rule 400. *[2475(11)(i), 2476(11)(i)]*

- *Clients introduced to the carrying broker:* The proposed rule clarifies that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client, and related obligations, are split between two dealers. Specifically, each dealer must be accountable, and must comply with the applicable IIROC rules, for the services they provide to and obligations they undertake for the client. In addition, the introducing broker must ensure the client is properly served, irrespective of which dealer is providing the particular service. This is consistent with current rule application guidance. *[2475(16)(i), 2476(16)(i), 2477(16)(i) and 2478(16)(i)]*

- *Handling client cash:* The proposed rule amends the cash handling requirements for Type 2 Arrangements to prohibit the introducing broker from handling client cash in the form of money and to require that any cheques provided to the introducing broker be in the name of the carrying broker. These amendments reflect industry practice for Type 2 Arrangements and are necessary as the introducing broker does not have the same processes/facilities for handling cash as the carrying broker. *[2476(18)]*

- *Offsets of carrying broker margin requirements against deposits:* The proposed rule introduces a requirement for Type 3 and 4 Arrangements that the carrying broker notify the introducing broker when a portion of any deposit amount is used. This is consistent with the current requirements for Type 1 and 2 Arrangements and is necessary to enable the introducing broker to properly classify its deposit assets as either allowable or non-allowable. *[2477(4)(i) and 2478(4)(i)]*

- *Arrangements that may be executed with a foreign affiliate:* The proposed rule introduces a new section outlining the general requirements that must be met in order for a Dealer Member to carry client accounts of a foreign affiliate dealer. The general requirements are consistent with those that apply to an introducing broker / carrying broker arrangement between two Dealer Members. *[2485(1)]*

- *Permitted arrangements not considered to be introducing broker / carrying broker arrangements:* The proposed rule specifically states that certain clearing arrangements are not considered to be introducing broker / carrying broker arrangements. As a result, qualifying clearing arrangements will no longer be subject to specific IIROC conditions / requirements / approval. *[2491(1)]*

- *Prohibited arrangements:* The proposed rule specifically prohibits entering into introduction arrangements other than with another Dealer Member or with a foreign affiliate dealer. *[2495(1)]*

Rule-making process

IIROC Staff involved representatives of Dealer Members in the rule development process, through preliminary consultations. The Proposed Rules were made available to all Dealer Members for their input through a Dealer Members-only website. IIROC's National Advisory Committee was asked for their input on the substantive amendments to proposed 2100 and 2150.

The Proposed Rules were approved for publication by the IIROC Board of Directors on April 30, 2010.

The full text of the Proposed Rules is set out in Attachment A. The text of the existing Dealer Member Rules to be repealed is set out in Attachment B. A table of concordance is included as Attachment C.

Issues and alternatives considered

An alternative to the inclusion of the amendments being proposed was to leave the rules substantively as they were prior to the plain language rewrite. IIROC staff considered other pending projects and proposals as well as the extent of the potential, substantive changes identified in order to decide which of the substantive changes would be proposed as part of the plain language rule rewrite project. Those substantive changes which were originally identified as part of the plain language rule rewrite project, but which were ultimately excluded from the plain language rewrite project are being pursued as separate rulemaking projects.

Proposed Rule classification

Statements have been made elsewhere as to the nature and effects of the Proposed Rules. The purposes of the Proposed Rules are to:

- Ensure compliance with securities laws;

- Prevent fraudulent and manipulative acts and practices;

- Promote just and equitable principles of trade and emphasize the duty to act fairly, honestly and in good faith;

- Foster fair, equitable and ethical business standards and practices; and

- Promote the protection of investors.

IIROC staff propose that rules pertaining to Dealer Member organization and registration be rewritten to reflect actual IIROC expectations, to enhance the clarity of the rules and to ensure consistency with applicable securities legislation. These amendments are in addition to the plain language rewrite of the existing rule provisions. The Board has determined that the proposed amendments are not contrary to the public interest.

Due to the extent and substantive nature of these proposed amendments, they have been classified as Public Comment Rule proposals.

Effects of proposed Rule on market structure, Dealer Members, non-members, competition and costs of compliance

With Proposed Rules, Dealer Members will benefit from enhanced clarity and certainty in rules relating to organization and registration requirements.

The Proposed Rules will not have any significant effects on Dealer Members or non-Dealer Members, market structure or competition. Furthermore, it is not expected that there will be any significant, increased costs of compliance as a result of the Proposed Rules.

The Proposed Rules do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in the furtherance of IIROC's regulatory objectives. The Proposed Rules do 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.

Technological implications and implementation plan

There should not be significant technological implications for Dealer Members as a result of the proposed amendments. Proposed plain language Rules 2100 through 2700 will be implemented at the same time as the rest of the plain language rules.

Request for public comment

Comments are sought on the proposed amendments. Comments should be made in writing. Two copies of each comment letter should be delivered within 90 days of the publication of this notice. One copy should be addressed to the attention of:

Brendan Hart
Policy Counsel
Investment Industry Regulatory Organization of Canada
Suite 1600, 121 King Street West
Toronto, Ontario
M5H 3T9
bhart@iiroc.ca

A second copy should be addressed to the attention of:

Manager of Market Regulation
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8
marketregulation@osc.gov.on.ca

Those submitting comment letters should be aware that a copy of their comment letter will be made publicly available on the IIROC website (www.iiroc.ca under the heading “IIROC Rulebook - Dealer Member Rules - Policy Proposals and Comment Letters Received”).

Questions may be referred to:

Brendan Hart
Policy Counsel, Member Regulation Policy
Investment Industry Regulatory Organization of Canada
416-865-3047
bhart@iiroc.ca

Attachments

Attachment A - Proposed Rules 2100 - 2700

Attachment B - Text of the relevant provisions of Dealer Member Rules 4, 5, 6, 7, 8, 17, 18, 22, 29, 31, 35, 38, 39, 40, 100, 500, 600, 700, 1300, 2400, 2900, and 3200

Attachment C - Table of Concordance

Attachment D - Guidance Notes relating to Proposed Rules 2100 – 2700

Attachment A

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

DEALER MEMBER ORGANIZATION AND REGISTRATION RULES

PLAIN LANGUAGE RULES 2100 THROUGH 2700

PROPOSED AMENDMENTS

1. As part of a project to rewrite IIROC Rules in plain language, the following current rules are repealed and replaced.

Repealed current rule	Proposed plain language rule
	Rule 2100 – Ownership of a Dealer Member's Securities
New	**2101. Introduction** (1) This Rule covers the issuance of securities by a Dealer Member or its holding company and changes in ownership. (2) A Dealer Member must conduct its business with integrity and must maintain adequate financial resources. The Corporation has a responsibility to ensure that persons who control a Dealer Member are fit and proper. The Corporation also needs to assess whether the obligations incurred by a Dealer Member under the terms of securities it issues pose a risk to its financial health.
Rules 5.2(1)(a) and 5.2(2)	**2102. Dealer Members must have Corporation approval to issue subordinated debt** (1) A Dealer Member or its private holding company must obtain the Corporation's approval in writing before issuing a security representing subordinated debt; (2) A Dealer Member or its private holding company must obtain the Corporation's approval in writing before signing an agreement to issue subordinated debt in the future.
Rule 5.2A	**2103. Repayments and additional Subordinated debt** (1) A Dealer Member must obtain the Corporation's approval in writing for any additions and repayments in the amount of subordinated debt it is borrowing.
Rule 29.11	**2104. Agreements with Corporation** (1) Where the Corporation is a party to a debt subordination agreement or other debt agreement with the Dealer Member, the Dealer Member must comply with the agreement in making any repayments of the debt subject to the agreement.
Rule 5.3	**2105. Corporation notification of changes of ownership** (1) A Dealer Member must notify the Corporation in writing before issuing or transferring its securities or its private holding company's securities, including any legal or beneficial interest in either. (2) Subsection (1) does not apply to a class of securities if: (i) there is public ownership of those securities in compliance with securities laws and regulations; and (ii) the purchase or transfer will not result in an acquirer of the securities owning a significant equity interest as defined in section 2107.

Repealed current rule	Proposed plain language rule
Rule 5.6	**2106. Ownership of another Dealer Member** (1) An industry investor must obtain the Corporation's approval before purchasing the securities of another Dealer Member or its holding company, except if: (i) there is public ownership of the class of securities in compliance with securities laws and regulations and the industry investor will not hold a significant equity interest after the purchase; (ii) the Dealer Member is a related or affiliated company of the Dealer Member in which the industry investor was approved to invest; or (iii) the following apply: (a) the investment does not exceed 10% of any class of the issued equity or voting shares; (b) the industry investor notified the Corporation of the investment; and (c) the Dealer Member that the industry investor was approved to invest in does not object to the investment.
Rule 5.4	**2107. Ownership of a significant equity interest** (1) A Dealer Member must obtain approval from the District Council before allowing an investor, alone or together with associates and affiliates, to own or hold a beneficial interest in: (i) a significant equity interest in the Dealer Member; or (ii) special warrants or other securities that are convertible into a significant equity interest in the Dealer Member. (2) For the purposes of this Rule, a significant equity interest means a holding of: (i) 10% or more of the voting securities of a Dealer Member or its holding company; (ii) 10% or more of the outstanding participating securities of a Dealer Member or its holding company; or (iii) an interest of 10% or more of the total equity of the Dealer Member. (3) A District Council may delegate its authority under this section 2107 to a subcommittee of the District Council or to Corporation staff.
Rule 5.5	**2108. A Dealer Member's ownership of another Dealer Member** (1) A Dealer Member or its holding company must obtain approval from the District Council before purchasing, directly or indirectly, any securities of another Dealer Member or its holding company. However, this does not apply if the ownership is a trading position held in the ordinary course of the securities business. (2) A District Council may delegate its authority under this section 2108 to a subcommittee of the District Council or to Corporation staff.
Rules 5.7 and 5.8	**2109. Public ownership** (1) A Dealer Member must obtain approval from the District Council before allowing public ownership of the Dealer Member or its holding company.

Repealed current rule	Proposed plain language rule
	(2) When a District Council considers an application for approval: (i) the Dealer Member must satisfy the District Council that it meets, and will continue to meet, Corporation requirements; (ii) the District Council may require the Dealer Member to provide a legal opinion and any other information the District Council considers necessary; and (iii) the District Council may impose conditions on and require undertakings from any person it considers necessary to ensure continuing compliance with Corporation requirements. (3) Regardless of its own governing corporate statute, a (i) Dealer Member; or (ii) holding company of a Dealer Member that is a reporting issuer or equivalent in any Canadian jurisdiction must set up and maintain an audit committee as the *Canada Business Corporations Act* requires. (4) A District Council may exempt a Dealer Member or its holding company from the requirements of subsection (3) above. (5) A District Council may delegate its authority under this section 2109 to a subcommittee of the District Council or to Corporation staff.
Rules 5.9(b) and 5.10	**2110. Public distribution of a Dealer Member's securities** (1) A Dealer Member or its holding company making a public distribution of its securities must include in the prospectus or equivalent document summaries of at least two separate valuations of its securities, if: (i) the Dealer Member is underwriting more than 25% of the distribution itself; or (ii) the distribution is offered on an agency or best efforts basis. (2) Independent qualified underwriters or chartered accountants must prepare the valuations and summaries. An independent qualified underwriter participating in the distribution may prepare a valuation. (3) Subsection (1) does not apply if securities with identical attributes have been trading on a recognized exchange for at least six months before the new distribution begins.
Rule 5.12 (except (a))	**2111. Take-over bids or amalgamations** (1) A Dealer Member or its holding company must obtain at least two separate valuations of its securities if they are distributed through a transaction such as a take-over bid or amalgamation resulting in a publicly traded market for the securities. (2) Independent qualified underwriters or chartered accountants must prepare the valuations and summaries. An independent qualified underwriter participating in the distribution may prepare a valuation. (3) Subsection (1) does not apply if: (i) securities with identical attributes have been trading on a recognized exchange for at least six months before the transaction; or

Repealed current rule	Proposed plain language rule
	(ii) the transaction resulted from negotiations conducted at arm's-length and the District Council or its delegate determines that valuations are not required.
Rule 5.13	**2112. Secondary distribution of securities** (1) The requirements of Sections 2110 and 2111 apply, with necessary changes, to a secondary distribution of securities of a Dealer Member or its holding company if the securities are distributed from a control position.
Rule 5.15	**2113. Soliciting trades in a Dealer Member's securities** (1) A Dealer Member may solicit trades in its own securities or those of its holding company when: (i) making a distribution of its own securities under a prospectus in compliance with securities laws and regulations and Corporation Rules; or (ii) making a private placement of its own securities under applicable securities legislation. (2) A Dealer Member must not solicit trades in its own securities or its holding company in the secondary market. (3) A Dealer Member may accept unsolicited orders for its own securities or those of its holding company.
Rules 5.14 and 5.15, last paragraph	**2114. Dealer Member's securities in client accounts** (1) A Dealer Member may accept its own securities or those of its holding company as security for a margin account. (2) A Dealer Member must not allow a discretionary account to hold the Dealer Member's securities or those of its holding company.
Rule 5.16	**2115. Research reports** (1) A Dealer Member must not issue research reports or opinion letters on its own securities or those of its holding company.
Rules 5.17 and 5.18	**2116. Corporation approvals** (1) A Dealer Member must apply to the Corporation using the form the Board prescribes to obtain an exemption from this Rule 2100. (2) The Dealer Member's application will be considered by the Board or District Council. (3) The applicant must pay the prescribed fee. (4) Within 10 days after receiving an approval or an exemption, an applicant and the Dealer Member or holding company involved must inform the Corporation of any change in the applicant's information (for example, bankruptcy or criminal proceedings). (5) The Board or District Council may refuse an application for approval or exemption or to withdraw any approval or exemption it has granted. (6) The Board or a District Council may delegate their authority under this section 2116 to a subcommittee of the District Council or to Corporation Staff.

Repealed current rule	Proposed plain language rule
	2117. – 2149. – Reserved.
	Rule 2150 – Dealer Member Structure - Business locations, holding companies, related companies and diversification
New	**2151. Introduction** (1) A Dealer Member must take reasonable care to organize and manage its business responsibly and effectively and must co-operate with the Corporation to promote effective and efficient self-regulation. A Dealer Member's business must be organized to enable adequate supervision of all its activities and cannot be organized to avoid Corporation requirements by conducting business through a related company that is not a Dealer Member.
	Part A - Business locations
Rule 4.6	**2152. Business locations** (1) Under subclause 2702(2)(i)(g), a Dealer Member must notify the Corporation of the opening or closing of a business location.
	Part B - Holding companies, related companies and associates and discount brokers
Rules 6.1 and 6.2	**2153. Holding companies** (1) A Dealer Member must ensure that the holding companies that carry on its business in Canada are legally bound to comply with the Corporation's holding company requirements. (2) A Dealer Member's holding company may be another Dealer Member's holding company if: (i) it owns all of the voting securities and participating securities of each Dealer Member; or (ii) the Dealer Member obtains approval from the District Council or its delegate to become the holding company of a second Dealer Member.
Rules 6.3, 6.5, 6.6 and 100.14 (first part)	**2154. Related companies and associates** (1) A Dealer Member, or a Dealer Member's executive, director, investor, or employee, must obtain approval from the District Council before it sets up, or acquires any interest in, a related company. (2) A Dealer Member must obtain approval from the District Council before creating a wholly owned subsidiary whose principal business is a securities broker, dealer, or adviser. (3) A Dealer Member must be responsible for and guarantee its related companies' obligations to clients. Further, each of its related companies must be responsible for and guarantee the Dealer Member's obligations to its clients as follows: (i) A Dealer Member that holds an interest in a related company must guarantee an amount equal to 100% of the Dealer Member's financial statement capital. (ii) A Dealer Member that holds an interest in a related company must have the related company guarantee an amount equal to the Dealer Member's percentage ownership multiplied by the related company's financial statement capital.

Repealed current rule	Proposed plain language rule
	(iii) Each company that is related to another company because the same person has an ownership interest in both must guarantee each other company for an amount equal to that person's ownership percentage multiplied by the company's financial statement capital. (4) A Dealer Member and a Dealer Member's related company required to guarantee an amount under subsection (3) above must sign the current Corporation guarantee form. (5) The Board may exempt a Dealer Member from the guarantee requirement of subsection (3) above, or may decide that a guarantee for a greater amount is required, if the Board decides that either of these is appropriate. (6) Any guarantee provided by a Dealer Member must be of a fixed or determinable amount, unless the guarantee is given to a related company under this Rule. (7) A District Council may delegate its authority under this section 2154 to a subcommittee of the District Council or to Corporation staff.
Rules 1300.1(t), 3200 A(1) and 3200 A(2)(a)	**2155. Approval as a discount broker** (1) The Corporation may approve a Dealer Member or a business unit of a Dealer Member as a discount broker if the Dealer Member's only business is an order-execution service or it provides that service in a separate business unit. (2) A Dealer Member's discount broker must meet Corporation requirements. (3) A Dealer Member must establish policies and procedures for operating its discount broker. A Dealer Member must give the Corporation a copy of its policies and procedures with its application for approval, and in future, give copies when any significant changes are made. (4) If operating as a separate business unit, a discount broker must have separate letterhead, accounts, account documentation, registered representatives, and investment representatives. (5) A Dealer Member must not compensate employees by giving them trade commissions for discount accounts.
	Part C - Non-securities business and shared premises
Rule 6.7	**2156. Business other than securities** (1) A Dealer Member or its related company must get approval from the District Council before carrying on any business other than securities-related activities. (2) A Dealer Member or a Dealer Member's holding company may, without approval, own an interest in a corporation (other than the Dealer Member) that carries on non-securities business if: (i) the Dealer Member is not responsible for any of that corporation's liabilities, and (ii) the Dealer Member and its holding company give the Corporation notice before acquiring an interest in the non-securities corporation. (3) Subsection (1) above does not apply to a Dealer Member's related company that: (i) is a mutual fund dealer (and its directors, executives, employees, or representatives), and

Repealed current rule	Proposed plain language rule
	(ii) deals in or sells life insurance contracts issued by an insurer licensed or registered under Canadian laws. (4) A District Council may delegate its authority under this section 2156 to a subcommittee of the District Council or to Corporation staff.
Rule 2400 (Introduction; General Principles 1and 2; Disclosure of Securities Related Activities 1, 2 and 4; Consent for New Clients 2 through 6; Consent for Existing Clients 1; Minimum Standards for Shared Premises 3 through 7, 9 and 10)	**2157. Shared premises** (1) A Dealer Member may share premises with another financial services entity, whether or not the Dealer Member is related to, or affiliated with, that entity. (2) For the purposes of this rule, a financial services entity is an entity regulated by securities legislation or another regulatory regime such as banking, mutual funds, insurance, deposit-taking, and mortgage-brokerage activities. (3) A Dealer Member must ensure that clients clearly understand which legal entity they are dealing with. (4) A Dealer Member must: (i) have written procedures and systems about supervising shared office premises, and (ii) reasonably design these procedures to ensure that representatives comply with Corporation requirements and clients know which entity they are dealing with. (5) A Dealer Member must have: (i) adequate supervisory resources to carry out the supervisory procedures; (ii) a system for communicating Corporation requirements to representatives at the shared office premises; and (iii) a process to ensure that representatives understand and meet Corporation requirements. (6) A Dealer Member must operate its business with a shared-premises layout that ensures confidentiality of client information and such things as client files and account process areas are effectively controlled and physically secured. (7) A Dealer Member must have appropriate signage and disclosure which differentiates the groups sharing the same premises. (8) The legal names under which the Dealer Member and other financial services entity operate must be clearly displayed in a prominent location, such as the office entrance door or reception area. (9) The CIPF logo and brochures must be displayed in a manner that makes it clear that they apply only to the Dealer Member and not to the other financial services organization. (10) When doing business in shared premises, a Dealer Member must meet the Rule 3800 requirements on using trade names. (11) A Dealer Member must keep client records separate from the records of another financial services organization as follows:

Repealed current rule	Proposed plain language rule
	(i) The financial services organization must not have access to the client's hard copy files. (ii) Electronic records must have separate passwords or another similar control to ensure the financial services organization has no access to the electronic client records. (12) When opening an account in shared premises, a Dealer Member must obtain the client's specific acknowledgement to a written disclosure statement: (i) outlining the relationship between the Dealer Member and the financial services entity, and (ii) stating that the entities are separate. (13) A Dealer Member must keep client information confidential and can only share the information with other financial services organizations in the shared premises if: (i) the client has consented to the disclosure of the confidential information in compliance with applicable federal, provincial, and territorial privacy legislation and regulations; and (ii) the client has consented to the disclosure of the confidential information through a specific confirmation such as a signature or initials at a designated place. A Dealer Member must not obtain a client's consent through a negative option. (14) An employee who works for both the Dealer Member and another financial services organization must not disclose confidential client information from one organization to the other unless performing a relevant service that the client has specifically consented to. (15) Non-registered personnel employed by the Dealer Member or representatives of the financial services organization may not provide the following services at the Dealer Member: (i) opening accounts; (ii) distributing or receiving order forms for securities transactions; (iii) assisting clients to complete order forms for securities transactions; (iv) giving recommendations or any advice on any activity; (v) completing know-your-client information on a New Client Application Form (NCAF)—other than biographical information; and (vi) soliciting securities transactions. (16) Non-registered personnel employed by the Dealer Member or representatives of the financial services organization may provide the following services at the Dealer Member: (i) advertising the Dealer Member's services and products; (ii) delivering or receiving clients' securities; (iii) arranging client appointments or informing of deficiencies on completed forms;

Repealed current rule	Proposed plain language rule
	(iv) providing the status, balances, and holdings of client accounts; (v) providing quotes and other market information; (vi) contacting the public, inviting the public to seminars, and forwarding non-securities information; (vii) receiving completed NCAFs to forward to the Dealer Member for approval; and (viii) distributing NCAFs, subject to subsection (17) below (17) At the business location, a manager, assistant manager, or credit officer who has a high degree of knowledge about the client's financial affairs may help the client to complete the NCAF, if: (i) no approved person is available; and (ii) before a trade is conducted for a client, a supervisor has approved the NCAF. (18) A mutual fund sales person may only accept orders for accounts at the dealer they are registered with and may not: (i) offer, or advise clients on, equities or other transactions for which specific proficiency is required, or (ii) communicate those client orders to a qualified person. **2158. – 2199. – Reserved.**
	Rule 2200 – Dealer Member Membership Changes
New	**2201. Introduction** (1) This Rule sets out how the Corporation deals with changes to the membership of Dealer Members.
Rules 8.4 and 8.6	**2202. Notice of intention to resign** (1) If a Dealer Member intends to resign, it must notify IIROC in writing of its intention before filing a letter of resignation. IIROC will issue a Notice advising of the Dealer Member's intention to resign within one week of receiving a Dealer Member's intent to resign.
Rule 8.2	**2203. Filing letter of resignation** (1) A resigning Dealer Member must file a resignation letter with the Corporation. The Dealer Member must file the following information with a resignation letter: (i) audited financial statements indicating the Dealer Member has liquid assets sufficient to meet its liabilities other than subordinated loans, or (ii) a report from the Dealer Member's auditor indicating that all client accounts and assets have been transferred to another Dealer Member or returned to the clients.
Rule 8.3	**2204. Acquisition and resignation** (1) If a Dealer Member is acquired by another Dealer Member, the acquired Dealer Member may resign its membership. If the acquired Dealer Member resigns, it

Repealed current rule	Proposed plain language rule
	must provide the Corporation with: (i) either an undertaking from the acquiring Dealer Member accepting responsibility for all outstanding liabilities of the resigning Dealer Member or the documents required under section 2203; and (ii) pro forma financial statements of the continuing Dealer Member showing compliance with Corporation capital requirements.
Rule 8.3A	**2205. Amalgamation of Dealer Members** (1) If two or more Dealer Members are amalgamated, the Dealer Members not continuing due to the amalgamation must resign their membership. The continuing Dealer Member must provide the Corporation with: (i) either an undertaking that it accepts responsibility for all liabilities of the Dealer Members that are amalgamating or the documents of the resigning Dealer Members required under section 2203; and (ii) pro forma financial statements of the continuing Dealer Member showing compliance with Corporation capital requirements.
Rule 8.3AA	**2206. Amalgamation with non-Dealer Member** (1) A Dealer Member may amalgamate with a non-Dealer Member if the continuing Dealer Member provides the Corporation with: (i) information, satisfactory to the Corporation, confirming that the continuing Dealer Member will have adequate policies and procedures to enable it to carry on its business and to comply with Corporation Requirements; and (ii) pro forma financial statements of the continuing Dealer Member showing compliance with Corporation capital requirements.
Rule 8.5	**2207. Effective date of resignation** (1) Resignation of a Dealer Member is effective on the date that the Corporation: (i) receives the documents required to support the resignation, (ii) receives payment of any amount owed to the Corporation; and (iii) confirms that no complaints or disciplinary actions are outstanding that the Corporation, in its sole discretion, determines must be resolved prior to permitting the Dealer Member to resign. (2) The Corporation will issue a Notice within one week of the effective date of a Dealer Member's resignation advising of the effective date of the Dealer Member's resignation.
Rule 8.7	**2208. Payment of Corporation fees** (1) A Dealer Member resigning or surrendering its membership with the Corporation must make full payment of its annual fees for the fiscal year in which the effective date of the resignation or surrender occurs. (2) No portion of annual fees will be refunded if the effective date of resignation occurs in the period July 1 to March 31. A Dealer Member resigning its membership with an effective date during the period April 1 to June 30 may be entitled to a monthly pro-rata refund. Part months will be considered as full months for this purpose.

Repealed current rule	Proposed plain language rule
Rule 31	**2209. Inactive members** (1) A Dealer Member may apply in writing to the Board to have its membership status temporarily changed to inactive. (2) The Board must impose time limits and conditions on a Dealer Member's inactive status. (3) When a Dealer Member's status changes to inactive, the Corporation must publish a notice indicating so. (4) A Dealer Member with inactive status may apply in writing to the Board for an extension to the time period of its inactive status if: (i) the written application is made at least 30 days before the Dealer Member's inactive status expires; and (ii) the same inactive status period has not been extended previously.
Rule 8.8	**2210. Suspension of membership** (1) The Corporation may, in accordance with the provisions of the Consolidated Enforcement Rules, suspend the membership of a Dealer Member after the Dealer Member has been given an opportunity for a hearing. (2) A Dealer Member whose membership has been suspended under this Rule will cease to be entitled to exercise any of the rights and privileges of membership but will remain liable to the Corporation for all amounts due to the Corporation by the Dealer Member.
Rule 8.8	**2211. Termination of membership** (1) The Corporation may, in accordance with the provisions of the Consolidated Enforcement Rules, terminate the membership of a Dealer Member after the Dealer Member has been given an opportunity for a hearing. (2) A Dealer Member whose membership has been terminated under this Rule will cease to be entitled to exercise any of the rights and privileges of membership but shall remain liable to the Corporation for all amounts due to the Corporation from the terminated Dealer Member. **2212. – 2249. – Reserved.**
	Rule 2250 – **Business Change Notification Requirements**
New	**2251. Introduction** (1) The Corporation may review the changes, listed in section 2252, in a Dealer Member's business to ensure they meet the Corporation's requirements.
Rule 17.12 (first sentence)	**2252. Dealer Member's notice of changes to Corporation** (1) A Dealer Member must notify the Corporation in writing a minimum of 20 days before: (i) changing its name; (ii) changing its constitution in a way that affects voting rights; (iii) taking any steps to dissolve, wind up, surrender its charter, liquidate, or

Repealed current rule	Proposed plain language rule
	dispose of all or substantially all its assets; or (iv) altering its capital structure. This includes allotting, issuing, repurchasing, redeeming, canceling, subdividing, or consolidating of any shares in its capital.
Rule 17.12 (second sentence)	**2253. Corporation informs Dealer Member about review when necessary** (1) A Dealer Member must not make any of the changes in Section 2252 if, within the 20-day notice period, the Corporation informs the Dealer Member that it will be submitting the proposed change(s) to the applicable District Council for approval.
Rule 17.12 (third sentence)	**2254. District Council reviews proposed changes** (1) The District Council will review any proposed change the Corporation submits to it under Section 2253 and either: (i) approve the proposed action, or (ii) disapprove it, if it considers the action would result in the Dealer Member being unable to comply with the Corporation's rules.
	2255. – 2299. – Reserved.
	Rule 2300 **Branch Offices of Dealer Members**
New	**2301. Introduction** (1) This rule describes how Dealer Members' branch offices participate in the Corporation and its districts.
Rule 4.1	**2302. Branch Office Members** (1) Every Dealer Member's business location in a district with a supervisor who is normally present at the business location, is a branch office member of the district.
Rules 4.3, 4.4 and 4.5	**2303. Branch Office Member's representation** (1) A branch office member may participate in governing the Corporation district as follows: (i) It has the same privileges in its district as any other Dealer Member, except that at a district meeting, each Dealer Member only has one vote in the district, no matter how many branch office members it has. (ii) Its district representative is eligible for election as chair or member of the District Council for that district.
Rule 4.2	**2304. Fees** (1) A Dealer Member does not have to pay an annual fee or entrance fee for its branch office members.
	2305. – 2349. – Reserved.
	Rule 2350 – **Trade Names and Disclosures**
New	**2351. Introduction** (1) This rule covers a Dealer Member's use of trade names, IIROC's name and logo, and CIPF disclosure.

Repealed current rule	Proposed plain language rule
Rules 29.7A(1), (2), (5) and (8)	**2352. Trade names** (1) The term trade name includes a business or style name a Dealer Member or approved person uses. It also includes a group name under which a Dealer Member and its affiliates conduct business. It does not include a recognizable variant of a Dealer Member's name such as its corporate name with "limited" or "corporation" left off. (2) If a Dealer Member carries on business under a trade name, it must be owned by the Dealer Member, an approved person of the Dealer Member, or an affiliated corporation of either of them. (3) An approved person must not conduct any business under a trade name that is not owned by the Dealer Member or its affiliated corporation without the Dealer Member's prior consent. (4) A Dealer Member or approved person must not use a trade name that any other Dealer Member uses unless: (i) the Dealer Members are related or affiliated, or (ii) the relationship with the other Dealer Member is that of introducing broker and carrying broker. (5) A Dealer Member or approved person must not use a deceptive or misleading trade name.
Rules 29.7A(3), (4) and (9)	**2353. Corporation notification** (1) A Dealer Member must notify the Corporation before it: (i) uses any trade name other than the Dealer Member's legal name, or (ii) transfers a trade name to another Dealer Member. (2) The Corporation may prohibit a Dealer Member or approved person from using a trade name that is: (i) contrary to this Rule 2350, (ii) contrary to the public interest, or (iii) otherwise objectionable.
Rules 29.7A(6) and (7)	**2354. Displaying the full legal name** (1) A Dealer Member must include its full legal name on all contracts and materials used to communicate with the public, whether or not it uses a trade name. (2) An Approved Person that uses a trade name different from that of the Dealer Member on materials used to communicate with the public must also include the Dealer Member's full legal name in size at least equal to that of the Approved Person's trade name.
Rule 29.14(b)	**2355. Compliance with Disclosure Policy of the Canadian Investor Protection Fund (CIPF)** (1) A Dealer Member must comply with CIPF's Disclosure Policy.
Rule 700.1	**2356. Use of Corporation name and logo** (1) A Dealer Member may only use the Corporation name in the following forms:

Repealed current rule	Proposed plain language rule
	(i) Dealer Member(s) of the Investment Industry Regulatory Organization of Canada; (ii) Membre(s) de l'Organisme Canadien de Réglementation du Commerce des Valeurs Mobilières; (iii) Dealer Member(s) of the Investment Industry Regulatory Organization of Canada - Organisme Canadien de Réglementation du Commerce des Valeurs Mobilières; or (iv) Membre(s) de l'Organisme Canadien de Réglementation du Commerce des Valeurs Mobilières - Investment Industry Regulatory Organization of Canada (2) When using the Corporation name in its office or on its windows, a Dealer Member must use the form required by this rule but, in smaller type than the name of the Dealer Member. (3) If a Dealer Member uses the Corporation logo in the form below together with the Corporation name, the size of the logo must give equal prominence to both the Corporation name and logo. (4) A Dealer Member must not use the Corporation name and logo in a manner that is misleading or confusing to the public.
Rules 22.1 and 700.1	**2357. Corporation governance of its name and logo** (1) The Board may set certain terms and conditions for a Dealer Member's use of the Corporation name or logo. (2) The Corporation will prohibit a Dealer Member from using the Corporation name or logo and require the Dealer Member to destroy all materials that use the Corporation name or logo if: (i) the Corporation decides that the use of the name or logo is detrimental to the interests of the Corporation or its Dealer Members; (ii) the Dealer Member is no longer a Corporation Dealer Member; or (iii) the Corporation suspends or terminates the Dealer Member's membership. (3) When the Corporation requests, a Dealer Member must provide samples of letterhead, circulars, or other promotional materials that use the Corporation's name or logo. (4) The Corporation may prohibit a Dealer Member from using the Corporation name or logo and require the Dealer Member to destroy all materials that use the Corporation name or logo if: (i) the Dealer Member fails to respond to a request for samples; or (ii) the Dealer Member does not comply with the requirements for using the Corporation name or logo. (5) A Dealer Member's use of the Corporation name or logo does not give the Dealer Member any proprietary interest in that name or logo. **2358. – 2399. – Reserved.**

Repealed current rule	Proposed plain language rule
	Rule 2400 – Principal and Agent Relationships
New	**2401. Introduction** (1) This Rule describes the requirements of relationships between Dealer Members and their agents.
Rule 39.3	**2402. Principal and agent relationships** (1) A Dealer Member may have a relationship with a person conducting securities related activities on behalf of the Dealer Member if that person is: (i) an employee; or (ii) an agent who is not an employee. (2) A Dealer Member may not have a corporation or other non-individual entity conduct securities-related activities on its behalf.
Rules 39.4(o) and (p)	**2403. Written agreement between the Dealer Member and the Corporation** (1) Before engaging any agents, a Dealer Member must enter into a written agreement with the Corporation, in a form similar to Appendix A. (2) The agreement must contain terms describing the Dealer Member's responsibility: (i) for the agent's conduct, including the agent's compliance with Corporation requirements and applicable securities legislation; and (ii) to clients for the agent's acts and omissions. (3) The Corporation must be satisfied with the form of the agreement.
Rules 39.4(n), (p) and (q)	**2404. Written agreement between the Dealer Member and its agents** (1) The Dealer Member and the agent must enter into a written agreement containing the terms set out in the sample agreement in Appendix B. (2) The agreement must not contain any terms inconsistent with the requirements of this rule. (3) The Corporation must be satisfied with the form of the agreement before the Dealer Member finalizes the agreement with the agent. (4) The Dealer Member must certify to the Corporation that the agreement complies with this rule. (5) The Corporation may request a legal opinion confirming subsection (4) above. (6) The Corporation must be satisfied that the agreement complies with applicable tax laws.
	Appendix A Agreement between a Dealer Member and the Corporation
Rule 39, Appendix B Recitals	**1. Recitals** (i) As a Dealer Member of the Corporation, the Dealer Member agrees it is subject to Corporation requirements.

Repealed current rule	Proposed plain language rule
	(ii) Section 2402 requires the Dealer Member to make this agreement with the Corporation. (iii) This agreement is in addition to and does not alter Corporation requirements or any other agreement between the Dealer Member and the Corporation.
Rule 39, Appendix B, Item 2	**2. Agreement with the Agent** (i) The Dealer Member must make an agreement with each of its agents as required by section 2403. (ii) The agreement must require that the agent complies with all applicable laws and Corporation requirements.
Rule 39, Appendix B, Items 1and 3	**3. Supervision of the Agent** The Dealer Member must treat each of its agents as employees with respect to: (i) administration of Corporation requirements. (ii) supervision of the agent under Corporation requirements; and (iii) ensuring its agents comply with all applicable laws and Corporation requirements.
Rule 39, Appendix B, Item 4	**4. Disclosure of Respective Responsibilities to Clients** The Dealer Member or the agent must disclose to clients at the time of opening an account: (i) the business activities included or not in the securities related activities of the Dealer Member; and (ii) that any other business activity of the agent is not the Dealer Member's responsibility.
Rule 39, Appendix B, Item 6	**5. Disclosure to Clients** The disclosure to clients must be made using the following language in the New Client Account Form: "If investment advisor is an agent of [the Dealer Member], [Dealer Member] is irrevocably liable to you for any acts and omissions of your investment advisor with regard to [Dealer Member's] business as if the investment advisor were an employee of [Dealer Member]."
Rule 39, Appendix B, Item 5	**6. Disclosure by Agent** If the disclosure is made by the agent, the Dealer Member must ensure that the agent has made the disclosure directly to the clients.
Rule 39, Appendix B, Item 8	**7. Governing Law** This agreement must be governed by the laws of [applicable province] and the laws of Canada.

Repealed current rule	Proposed plain language rule
Rule 39, Appendix B, Item 9	**8. Continuing Benefit** The agreement is for the benefit of and binding upon the parties and their successors and assigns. The Dealer Member may not assign the agreement without the Corporation's prior written consent. DATED as of the _____day of _____, _____ [DEALER MEMBER] _____ [NAME AND TITLE OF SIGNING INDIVIDUAL] **Appendix B** **Principles to include in Agreement between a Dealer Member and Agent**
Rules 39.4(a) and (q)	**1. Relationship complies with the Law** The agent and the Dealer Member confirm that this agreement: (i) does not violate applicable laws; and (ii) complies with applicable tax laws.
Rule 39, Appendix A, Item 2	**2. Confirmation of Supremacy of Rule 2400** The agent and the Dealer Member confirm that: (i) this agreement is made in compliance with Corporation Requirements; (ii) Rule 2400 must prevail if there is an inconsistency between this agreement and Rule 2400; (iii) any inconsistent terms will be deemed severed and deleted; and (iv) this agreement will be interpreted and enforced to give full effect to Rule 2400.
Rule 39.4(b) and Rule 39, Appendix A, Item 3	**3. Compliance by the Agent with Applicable Laws and Corporation Requirements** (i) The agent warrants to the Dealer Member that it is appropriately registered or licensed, in good standing and in compliance under all applicable laws and Corporation requirements. (ii) The agent agrees to maintain the above throughout the term of the agreement.
Rules 39.4(d) and (k) and Rule 39, Appendix A, Item 4	**4. Conduct of the Agent's Business** (i) The agent agrees to conduct all business in the Dealer Member's name, subject to section 2401. (ii) The agent agrees not to conduct any securities related activities with anyone other than the Dealer Member.
Rules 39.4(c), (d) and (e) and Rule 39, Appendix A, Items 5(a) and 5(e)	**5. Supervision of the Agent by the Dealer Member** The Dealer Member agrees to be: (i) responsible for the supervision of the agent's conduct to ensure compliance with Corporation requirements and the requirements of any other regulatory authority to which the Dealer Member is subject; and

Repealed current rule	Proposed plain language rule
	(ii) liable to clients (and other third parties) for the agent's conduct as if he or she were an employee.
Rule 39, Appendix A, Item 5(d)	**6. Written Disclosure to Clients** If the Dealer Member and the Agent have agreed that the agent will advise the clients directly: (i) of the business activity that is included or not in the securities related activities of the Dealer Member; and (ii) that any other business activity of the agent is not the Dealer Member's responsibility; the Dealer Member agrees to be responsible for ensuring that the agent has done so.
Rule 39.4(i) Rule 39, Appendix A 5(f)	**7. Dealer Member Assumes Responsibility for Clients** (i) In the event that: (a) The Corporation, or other regulatory authority has advised the Dealer Member that it has started an investigation relating to a client of the agent; or (b) the Dealer Member has reasonable grounds to believe that the agent's conduct relating to clients is contrary to any applicable laws or Corporation requirements, the Dealer Member may immediately and without notice to the agent, assume responsibility for the client to the exclusion of the agent. (ii) The agent may not have any dealings or communications with the client as long as the Dealer Member has assumed this responsibility. (iii) The Dealer Member may appoint another qualified person to provide services to the client, and that person may receive any remuneration that would have been paid to the agent.
Rules 39.4(l) and (m) and Rule 39, Appendix A, Items 4(b), 5(b) and 5(c)	**8. Non-Dealer Member Business** (i) The agent agrees not to conduct any non-Dealer Member business without disclosing to and obtaining the consent of the Dealer Member in writing. (ii) If the agent is involved in a non-Dealer Member business, the Dealer Member agrees to monitor and enforce compliance with the terms of this agreement directly and not through another employer or principal of the agent. (iii) The agent agrees to ensure that the non-Dealer Member business will not interfere with the Dealer Member or Corporation monitoring and enforcing compliance by the agent with this agreement or Corporation requirements.
Rule 39.4(h) and Rule 39, Appendix A, Item 7(b)	**9. Access to Premises** The agent agrees to give the Dealer Member unrestricted access to the premises where the agent conducts business on the Dealer Member's behalf.
Rule 39.4(g) and Rule 39, Appendix A, Items 6(a), 6(b) and 7(a)	**10. Records** The agent agrees that the books and records kept by the agent for the Dealer Member's business:

Repealed current rule	Proposed plain language rule
	(i) shall conform to Corporation requirements; (ii) are the Dealer Member's property; (iii) are available at all times for review by and delivery to the Dealer Member; and (iv) are available to the Dealer Member on termination of the agreement.
Rule 39.4(f) and Rule 39, Appendix A, Item 6(c)	**11. Insurance** The Dealer Member agrees to maintain financial institution bond and insurance policies covering the agent.
New	**12. Validity of Prior Agreements** Any agreements entered into between a Dealer Member and its agents prior to the effective date of Rule 2400 continue to be valid.
	2404. – 2449. – Reserved.
	Rule 2450 – Acceptable Back Office Arrangements
New	**2451. Introduction** (1) In order to manage back office expenses, Dealer Members may enter into arrangements that involve back office service sharing with another organization. Services shared may include any combination of: trade execution, trade clearing and settlement, trade financing, trade related cash and security custody and trade related books and records. In some cases, before an arrangement can commence, the parties must agree to specific Corporation arrangement conditions, including obtaining Corporation approval of the arrangement. (2) This Rule sets out the specific Corporation arrangement conditions for a number of arrangements that a Dealer Member may enter into and is organized as follows: (i) Definitions **[Section 2460]** (ii) Requirements for acceptable arrangements between two Dealer Members **[Part A]** including: (a) General requirements **[Sections 2470 through 2474]**; (b) Specific requirements for Type 1 introducing broker / carrying broker arrangements **[Section 2475]**; (c) Specific requirements for Type 2 introducing broker / carrying broker arrangements **[Section 2476]**; (d) Specific requirements for Type 3 introducing broker / carrying broker arrangements **[Section 2477]**; and (e) Specific requirements for Type 4 introducing broker / carrying broker arrangements **[Section 2478]**. (iii) Requirements for acceptable arrangement between a Dealer Member and a foreign affiliate dealer **[Part B, Sections 2485 and 2486]**; (iv) Permitted arrangements that are not considered to be introducing broker / carrying broker arrangements **[Part C, Sections 2490 and 2491]**; and

Repealed current rule	Proposed plain language rule
	(v) Prohibited arrangements **[Part D, Section 2495]**.
	2452. – 2459. – Reserved.
Rule 35.1(a)(iii)	**2460. Definitions**
	In this Rule:
	(1) "Canadian financial institution" means:
	(i) a Schedule I or Schedule II Bank under the Bank Act (Canada);
	(ii) an insurance company governed by federal or provincial insurance legislation; and
	(iii) a loan or trust company governed by federal or provincial loan and trust company legislation;
New	(2) "Canadian registered firm" means a firm registered under the securities legislation of a Canadian jurisdiction as an adviser or dealer;
New	(3) "clearing arrangement" means an arrangement entered into between two dealers under which all of the following services are provided by one dealer ("clearing broker") to the other dealer for one or more lines of business:
	(i) trade execution;
	(ii) trade settlement; and
	(iii) client account bookkeeping.
	Trade and/or account financing, custody of client cash and custody of client security and investment product positions services must not be provided as part of this arrangement; and
New	(4) "introducing broker / carrying broker arrangement" means an arrangement entered into between two dealers under which all of the following services are provided by one dealer ("carrying broker") to the other dealer ("introducing broker") for one or more lines of business:
	(i) trade settlement;
	(ii) custody of client cash;
	(iii) custody of client security and investment product positions; and
	(iv) client account bookkeeping.
	Trade execution and trade and/or account financing services may or may not be provided as part of this arrangement.
	2461. – 2469. – Reserved.
	Part A - Arrangements between two Dealer Members - General Requirements
Rules 35.1(e)(ii) and (v)	**2470. Arrangements that may be executed**
	(1) A Dealer Member that wants to become an introducing broker may enter into the one of the following introducing broker / carrying broker arrangements with another Dealer Member:
	(i) a Type 1 or 2 Arrangement for all of its securities related activities;

Repealed current rule	Proposed plain language rule
	(ii) a Type 1 or 2 Arrangement for all of its securities related activities other than trading in futures contracts and options; (iii) a Type 3 or 4 Arrangement for one or more of its securities related activities business lines.
Rules 35.1(e)(ii), (iii) and (iv)	**2471. Additional conditions that apply to an introducing broker under a Type 1 Arrangement** (1) A Dealer Member that is an introducing broker under a Type 1 Arrangement with another Dealer Member: (i) must not enter into any additional introducing broker / carrying broker arrangements with another Dealer Member unless the arrangement is a Type 1 or Type 2 Arrangement that provides back office services exclusive to trading in futures contracts and options; (ii) must not continue to fully service any part of its securities related activities other than fully servicing trading in futures contracts and options; and (iii) must use its carrying broker's facilities for its principal trading, settlement, and securities custody.
Rules 35.1(e)(ii), (iii) and (iv)	**2472. Additional conditions that apply to an introducing broker under a Type 2 Arrangement** (1) A Dealer Member that is an introducing broker under a Type 2 Arrangement with another Dealer Member: (i) must not enter into any additional introducing broker / carrying broker arrangements with another Dealer Member unless the arrangement is a Type 1 or Type 2 Arrangement that provides back office services exclusive to trading in futures contracts and options; (ii) must not fully service any part of its securities related activities other than fully servicing trading in futures contracts and options; and (iii) may use brokers other than its carrying broker for its principal trading, settlement, and securities custody.
Rules 35.1(e)(iv) and (v)	**2473. Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement** (1) A Dealer Member that is an introducing broker under a Type 3 or Type 4 Arrangement with another Dealer Member: (i) may use brokers other than its carrying broker for its principal trading, settlement, and securities custody; (ii) may, where a business case can be made, enter into additional Type 3 or Type 4 Arrangements for one or more of its remaining securities related activities business lines; (iii) may fully service one or more of its remaining securities related activities business lines; and (iv) must not enter into any Type 1 or Type 2 Arrangements for one or more of its remaining securities related activities business lines.

Repealed current rule	Proposed plain language rule
Rules 35.1(b)(i), (e)(i), and (g)	**2474. Requirement for an agreement** (1) A Dealer Member may enter into an arrangement permitted within sections 2470 through 2473 with another Dealer Member if both parties enter into a written introducing broker / carrying broker contract: (i) in a form acceptable to the Corporation; (ii) that specifies the type of arrangement being entered into is an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement; (iii) whose terms meet the requirements of this Rule 2450 that apply to the type of arrangement being entered into; and (iv) which is approved by the Corporation in advance of it coming into effect.
Rule 35.2, opening paragraph	**2475. Type 1 Arrangement – requirements –** The parties to a Type 1 introducing broker / carrying broker arrangement (Type 1 Arrangement) must comply with the following requirements:
Rule 35.2(a)	(1) **Minimum capital requirement** (i) The introducing broker must maintain at all times minimum capital of $75,000 for calculating RAC.
Rule 35.2(b)(ii)	(2) **Margin requirements to be provided by the introducing broker** (i) The introducing broker must maintain the required margin for principal business it introduces to the carrying broker.
Rule 35.2(b)(i)	(3) **Margin requirements to be provided by the carrying broker** (i) The carrying broker must maintain the required margin: (a) for client business it carries for the introducing broker; and (b) for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.
Rule 35.2(c)	(4) **Offsets of carrying broker margin requirements against deposits** (i) The carrying broker may reduce any margin it is required to provide under section 2475(3) by the least of the following amounts: (a) the margin requirement; (b) the loan value of any introducing broker deposits held by the carrying broker; and (c) the introducing broker's excess RAC. Where a reduction is taken, the carrying broker must promptly notify the introducing broker.
Rule 35.2(d)	(5) **Reporting client balances** (i) When calculating RAC, the carrying broker must report on Statement A and Schedule 4 of Form 1 and the MFR all client accounts introduced by the introducing broker. The introducing broker must not report these accounts.

Repealed current rule	Proposed plain language rule
Rule 35.2(e)	(6) **Net client balances / funding** The carrying broker must meet financing requirements for client accounts introduced by the introducing broker.
Rules 35.2(c) and (f)	(7) **Deposits provided to the carrying broker by the introducing broker** (i) The carrying broker must: (a) segregate security deposits provided by the introducing broker; (b) hold cash deposits in a separate bank account in trust for the introducing broker; and (c) report all deposits it receives from the introducing broker as a liability on its Form 1 and MFR. (ii) The introducing broker must: (a) report as a non-allowable asset on the introducing broker's Form 1 and MFR: (I) any portion of a deposit that a carrying broker has used to offset its margin requirements under section 2475(4); and (ii) any portion of a deposit that is impaired in value because the carrying broker carries client accounts with unsecured debit balances. (b) report as an allowable asset on the introducing broker's Form 1 and MFR any remaining deposits not classified as a non-allowable asset under sub-clause 2475(7)(ii)(a).
Rule 35.2(g)	(8) **Concentration calculations** (i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the carrying broker must include, and the introducing broker must not include, all client positions the carrying broker maintains for the introducing broker.
Rule 35.2(h)	(9) **Segregating client securities** (i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with the segregation rules. [LINK – Rule 4400 Segregated Securities – Requirements and Internal Controls.]
Rule 35.2(i)	(10) **Free credit segregation** (i) The carrying broker must comply with the Corporation's free credit segregation requirements for client accounts introduced by the introducing broker.
Rules 35.2(j)(i), (ii) and (iv)	(11) **Insurance coverage requirements of the introducing broker** (i) The introducing broker must: (a) include all accounts introduced to the carrying broker: (I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4459; and

Repealed current rule	Proposed plain language rule
	(II) when determining adequate insurance coverage levels for registered mail under section 4456 (b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4459; and (c) maintain adequate insurance for registered mail specified under section 4456.
Rules 35.2(j)(i) to (iv)	(12) **Insurance coverage requirements of the carrying broker** (i) The carrying broker must: (a) include all accounts it carries for the introducing broker: (I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and (II) when determining adequate insurance coverage levels for registered mail under section 4456 (b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and (c) maintain adequate insurance for registered mail specified under section 4456.
Rule 35.2(k)	(13) **Client account opening required disclosure** (i) At the time of opening a client account the introducing broker must: (a) advise the client of: (I) its relationship to the carrying broker; and (II) the client's relationship to the carrying broker. (b) obtain from the client a Corporation-approved form acknowledging it has provided the client with the disclosure required by clause 2475(13)(i)(a).
Rule 35.2(l)	(14) **Parties to margin and guarantee documents** (i) The introducing broker and the carrying broker must both be parties to any margin agreements and guarantee documents.
Rule 35.2(l)	(15) **Disclosure on contracts, statements and correspondence** (i) To ensure ongoing disclosure of the introducing broker / carrying broker relationship to clients, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required.

Repealed current rule	Proposed plain language rule
Rule 35.2(m)	(16) **Clients introduced to the carrying broker** (i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with IIROC requirements.
Rule 35.2(n)	(17) **Compliance with non-financial requirements** (i) The introducing broker and the carrying broker are jointly and severally responsible for compliance with all non-financial Corporation requirements for each account the introducing broker introduces to the carrying broker unless stated otherwise in this Rule 2475.
Rule 35.2(o)	(18) **Handling client cash** (i) The introducing broker must not accept or handle client funds in the form of money. (ii) With the carrying broker's advance approval, the introducing broker may accept a cheque in the carrying broker's name from a client whose account is carried by the carrying broker and: (a) deliver it to the carrying broker; or (b) arrange for the carrying broker to pick it up.
Rule 35.2(p)	(19) **Reporting of introducing broker principal positions** (i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and MFR. (ii) The carrying broker must report the introducing broker's principal positions it carries as a client account on its Form 1 and MFR.
Rule 35.3 opening paragraph	**2476. Type 2 Arrangement – requirements –** The parties to a Type 2 introducing broker / carrying broker arrangement (Type 2 Arrangement) must comply with the following requirements:
Rule 35.3(a)	(1) **Minimum capital requirement** (i) The introducing broker must maintain at all times minimum capital of $250,000 for calculating RAC.
Rule 35.3(b)(ii)	(2) **Margin requirements to be provided by the introducing broker** (i) The introducing broker must maintain the required margin for principal business it introduces to the carrying broker.
Rule 35.3(b)(i) and (ii)	(3) **Margin requirements to be provided by the carrying broker** (i) The carrying broker must maintain the required margin: (a) for client business it carries for the introducing broker; and (b) for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.

Repealed current rule	Proposed plain language rule
Rule 35.3(c)	(4) **Offsets of carrying broker margin requirements against deposits** (i) The carrying broker may reduce any margin it is required to provide under section 2476(3) by the least of the following amounts: (a) the margin requirement; (b) the loan value of any introducing broker deposits held by the carrying broker; and (c) the introducing broker's excess RAC. Where a reduction is taken, the carrying broker must promptly notify the introducing broker.
Rule 35.3(d)	(5) **Reporting client balances** (i) When calculating RAC, the carrying broker must report on Statement A and Schedule 4 of Form 1 and the MFR all client accounts introduced by the introducing broker. The introducing broker must not report these accounts.
Rule 35.3(e)	(6) **Net client balances / funding** (i) The carrying broker must meet financing requirements for client accounts introduced by the introducing broker.
Rules 35.3(c) and (f)	(7) **Deposits provided to the carrying broker by the introducing broker** (i) The carrying broker must: (a) segregate security deposits provided by the introducing broker; (b) hold cash deposits in a separate bank account in trust for the introducing broker; and (c) report all deposits it receives from the introducing broker as a liability on its Form 1 and MFR. (ii) The introducing broker must: (a) report as a non-allowable asset on the introducing broker's Form 1 and MFR: (I) any portion of a deposit that a carrying broker has used to offset its margin requirements under section 2476(4); and (II) any portion of a deposit that is impaired in value because the carrying broker carries client accounts with unsecured debit balances. (b) report as an allowable asset on the introducing broker's Form 1 and MFR any remaining deposits not classified as a non-allowable asset under sub-clause 2476(7)(ii)(a).
Rule 35.3(g)	(8) **Concentration calculations** (i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the carrying broker must include, and the introducing broker must not include, all client positions the carrying broker maintains for the introducing broker.

Repealed current rule	Proposed plain language rule
Rule 35.3(h)	(9) **Segregating client securities** (i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with the segregation rules. [LINK – Rule 4400 Segregated Securities – Requirements and Internal Controls.]
Rule 35.3(i)	(10) **Free credit segregation** (i) The carrying broker must comply with the Corporation's free credit segregation requirements for client accounts introduced by the introducing broker.
Rule 35.3(j)(i) to (iv)	(11) **Insurance coverage requirements of the introducing broker** (i) The introducing broker must: (a) include all accounts introduced to the carrying broker: (I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4459; and (II) when determining adequate insurance coverage levels for registered mail under section 4456 (b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4459; and (c) maintain adequate insurance for registered mail specified under section 4456.
Rule 35.3(j)(i) to (iv)	(12) **Insurance coverage requirements of the carrying broker** (i) The carrying broker must: (a) include all accounts it carries for the introducing broker: (I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and (II) when determining adequate insurance coverage levels for registered mail under section 4456 (b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and (c) maintain adequate insurance for registered mail specified under section 4456.

Repealed current rule	Proposed plain language rule
Rule 35.3(k)	(13) **Client account opening required disclosure** (i) At the time of opening a client account the introducing broker must: (a) advise the client of: (I) its relationship to the carrying broker; and (II) the client's relationship to the carrying broker. (b) obtain from the client a Corporation-approved form acknowledging it has provided the client with the disclosure required by clause 2476(13)(i)(a).
Rule 35.3(l)	(14) **Parties to margin and guarantee documents** (i) The introducing broker and the carrying broker must both be parties to any margin agreements and guarantee documents.
Rules 35.3(l) and (m)	(15) **Disclosure on contracts, statements and correspondence** (i) The introducing broker must provide either ongoing or annual disclosure of its introducing broker / carrying broker relationship to clients as follows: (a) Where the introducing broker elects to provide ongoing relationship disclosure, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required. (b) Where the introducing broker elects to provide annual relationship disclosure: (I) the introducing broker must show its name on all client account contracts, statements, correspondence and other documents; and (II) the introducing broker must provide an annual written disclosure to each of its clients whose accounts are carried by a carrying broker outline the relationship between: (A) the introducing broker and the carrying broker; and (B) the client and the carrying broker. However, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documents, the annual disclosure under sub-clause 2476(15)(i)(b)(ii) is not required.
Rule 35.3(n)	(16) **Clients introduced to the carrying broker** (i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with IIROC requirements.
Rule 35.3(o)	(17) **Compliance with non-financial requirements** (i) For each account it introduces to the carrying broker, the introducing broker is responsible for compliance with all non-financial Corporation requirements

Repealed current rule	Proposed plain language rule
	unless stated otherwise in this Rule 2476.
Rule 35.3(p)	(18) **Handling client cash** (i) The introducing broker must not accept or handle client funds in the form of money. (ii) The introducing broker may accept a cheque in the carrying broker's name from a client whose account is carried by the carrying broker for deposit directly into a bank account in the carrying broker's name.
Rule 35.3(q)	(19) **Reporting of introducing broker principal positions** (i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and MFR. (ii) The carrying broker must report the introducing broker's principal positions it carries as a client account on its Form 1 and MFR.
Rule 35.4 opening paragraph	**2477. Type 3 Arrangement – requirements –** The parties to a Type 3 introducing broker / carrying broker arrangement (Type 3 Arrangement) must comply with the following requirements:
Rule 35.4(a)	(1) **Minimum capital requirement** (i) The introducing broker must maintain at all times minimum capital of $250,000 for calculating RAC.
Rule 35.4(b)	(2) **Margin requirements to be provided by the introducing broker** (i) The introducing broker must maintain the required margin: (a) for principal business it introduces to the carrying broker; and (b) for client business it introduces to the carrying broker.
Rule 35.4(b)	(3) **Margin requirements to be provided by the carrying broker** (i) The carrying broker must maintain the required margin for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.
Rule 35.4(c)	(4) **Offsets of carrying broker margin requirements against deposits** (i) The carrying broker may reduce any margin it is required to provide under section 2477(3) by the lesser of the following amounts: (a) the margin requirement; and (b) the loan value of any introducing broker deposits held by the carrying broker. Where a reduction is taken, the carrying broker must promptly notify the introducing broker.
Rule 35.4(d)	(5) **Reporting client balances** (i) When calculating RAC, the introducing broker must report on Statement A

Repealed current rule	Proposed plain language rule
	and Schedule 4 of Form 1 and MFR all client accounts introduced to the carrying broker. The carrying broker must not report those accounts. (ii) However, the carrying broker must report on its Form 1 and MFR one balance owing to or from the introducing broker, representing client accounts it carries for the introducing broker. (iii) Although it reports just one balance, the carrying broker's obligations and liabilities to each client whose account it carries for the introducing broker are not released, discharged, limited, or otherwise affected.
Rule 35.4(e)	(6) **Net client balances / funding** (i) The carrying broker must meet financing requirements for client accounts introduced by the introducing broker.
Rule 35.4(f)	(7) **Deposits provided to the carrying broker by the introducing broker** (i) The carrying broker must: (a) segregate security deposits provided by the introducing broker; (b) hold cash deposits in a separate bank account in trust for the introducing broker; and (c) report all deposits it receives from the introducing broker as a liability on its Form 1 and MFR. (ii) The introducing broker must: (a) report as a non-allowable asset on the introducing broker's Form 1 and MFR any portion of a deposit that a carrying broker has used to offset its margin requirements under section 2477(4); and (b) report as an allowable asset on the introducing broker's Form 1 and MFR any remaining deposits not classified as a non-allowable asset under sub-clause 2477(7)(ii)(a).
Rule 35.4(g)	(8) **Concentration calculations** (i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the introducing broker must include, and the carrying broker must not include, all client positions the carrying broker maintains for the introducing broker.
Rule 35.4(h)	(9) **Segregating client securities** (i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with the segregation rules. [LINK – Rule 4400 Segregated Securities – Requirements and Internal Controls.]
Rule 35.4(i)	(10) **Free credit segregation** (i) The carrying broker must comply with the Corporation's free credit segregation requirements for client accounts introduced by the introducing broker.
Rules 35.4(j)(i) to (iv)	(11) **Insurance coverage requirements of the introducing broker** (i) The introducing broker must: (a) include all accounts introduced to the carrying broker:

Repealed current rule	Proposed plain language rule
	(I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and (II) when determining adequate insurance coverage levels for registered mail under section 4456 (b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and (c) maintain adequate insurance for registered mail specified under section 4456.
Rules 35.4(j)(i) to (iv)	(12) **Insurance coverage requirements of the carrying broker** (i) The carrying broker must: (a) include all accounts it carries for the introducing broker: (I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and (II) when determining adequate insurance coverage levels for registered mail under section 4456 (b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and (c) maintain adequate insurance for registered mail specified under section 4456.
Rule 35.4(k)	(13) **Client account opening required disclosure** (i) At the time of opening a client account the introducing broker must advise the client of: (a) its relationship to the carrying broker; and (b) the client's relationship to the carrying broker.
Rule 35.4(l)	(14) **Parties to margin and guarantee documents** (i) The introducing broker and the carrying broker must both be parties to any margin agreements and guarantee documents.
Rules 35.4(l) and (m)	(15) **Disclosure on contracts, statements and correspondence** (i) The introducing broker must provide either ongoing or annual disclosure of its introducing broker / carrying broker relationship to clients as follows: (a) Where the introducing broker elects to provide ongoing relationship disclosure, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required. (b) Where the introducing broker elects to provide annual relationship

Repealed current rule	Proposed plain language rule
	disclosure: (I) the introducing broker must show its name on all client account contracts, statements, correspondence and other documents; and (II) the introducing broker must provide an annual written disclosure to each of its clients whose accounts are carried by a carrying broker outline the relationship between: (A) the introducing broker and the carrying broker; and (B) the client and the carrying broker. However, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documents, the annual disclosure under sub-clause 2477(15)(i)(b)(II) is not required.
Rule 35.4(n)	(16) **Clients introduced to the carrying broker** (i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with IIROC requirements.
Rule 35.4(o)	(17) **Compliance with non-financial requirements** (i) For each account it introduces to the carrying broker, the introducing broker is responsible for compliance with all non-financial Corporation requirements unless stated otherwise in this Rule 2477.
Rule 35.4(p)	(18) **Handling client cash** (i) An introducing broker may facilitate transactions for a client account carried by a carrying broker by accepting client cheques: (a) in the introducing broker's name, and depositing those cheques in a bank account in the introducing broker's name for eventual deposit to an account in the carrying broker's name; or (b) in the carrying broker's name for deposit directly into a bank account in the carrying broker's name.
Rule 35.4(q)	(19) **Reporting of introducing broker principal positions** (i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and MFR. (ii) The carrying broker must report the introducing broker's principal positions it carries as a client account on its Form 1 and MFR.
Rule 35.5 opening paragraph	**2478. Type 4 Arrangement – requirements –** The parties to a Type 4 introducing broker / carrying broker arrangement (Type 4 Arrangement) must comply with the following requirements:
Rule 35.5(a)	(1) **Minimum capital requirement** (i) The introducing broker must maintain at all times minimum capital of $250,000 for calculating RAC.

Repealed current rule	Proposed plain language rule
Rule 35.5(b)	(2) **Margin requirements to be provided by the introducing broker** (i) The introducing broker must maintain the required margin: (a) for principal business it introduces to the carrying broker; and (b) for client business it introduces to the carrying broker.
Rule 35.5(b)	(3) **Margin requirements to be provided by the carrying broker** (i) The carrying broker must maintain the required margin for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.
Rule 35.5(c)	(4) **Offsets of carrying broker margin requirements against deposits** (i) The carrying broker may reduce any margin it is required to provide under section 2478(3) by the lesser of the following amounts: (a) the margin requirement; and (b) the loan value of any introducing broker deposits held by the carrying broker. Where a reduction is taken, the carrying broker must promptly notify the introducing broker.
Rule 35.5(d)	(5) **Reporting client balances** (i) When calculating RAC, the introducing broker must report on Statement A and Schedule 4 of Form 1 and MFR all client accounts introduced to the carrying broker. The carrying broker must not report those accounts. (ii) However, the carrying broker must report on its Form 1 and MFR one balance owing to or from the introducing broker, representing client accounts it carries for the introducing broker. (iii) Although it reports just one balance, the carrying broker's obligations and liabilities to each client whose account it carries for the introducing broker are not released, discharged, limited, or otherwise affected.
Rule 35.5(e)	(6) **Net client balances / funding** (i) The introducing broker must meet financing requirements for client accounts it introduces to the carrying broker.
Rule 35.5(f)	(7) **Deposits provided to the carrying broker by the introducing broker** (i) The carrying broker must: (a) segregate security deposits provided by the introducing broker; (b) hold cash deposits in a separate bank account in trust for the introducing broker; and (c) report all deposits it receives from the introducing broker as a liability on its Form 1 and MFR.

Repealed current rule	Proposed plain language rule
	(ii) The introducing broker must: (a) report as a non-allowable asset on the introducing broker's Form 1 and MFR any portion of a deposit that a carrying broker has used to offset its margin requirements under section 2478(4); and (b) report as an allowable asset on the introducing broker's Form 1 and MFR any remaining deposits not classified as a non-allowable asset under sub-clause 2478(7)(ii)(a).
Rule 35.5(g)	(8) **Concentration calculations** (i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the introducing broker must include, and the carrying broker must not include, all client positions the carrying broker maintains for the introducing broker.
Rule 35.5(h)	(9) **Segregating client securities** (i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with the segregation rules. [LINK – Rule 4400 Segregated Securities – Requirements and Internal Controls.]
Rule 35.5(i)	(10) **Free credit segregation** (i) The introducing broker must comply with the Corporation's free credit segregation requirements for client accounts it introduces to the carrying broker.
Rules 35.5(j)(i) to (iv)	(11) **Insurance coverage requirements of the introducing broker** (i) The introducing broker must: (a) include all accounts introduced to the carrying broker: (I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and (II) when determining adequate insurance coverage levels for registered mail under section 4456 (b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and (c) maintain adequate insurance for registered mail specified under section 4456.
Rules 35.5(j)(i) to (iv)	(12) **Insurance coverage requirements of the carrying broker** (i) The carrying broker must: (a) include all accounts it carries for the introducing broker: (I) when calculating client net equity for the purposes of determining minimum FIB insurance coverage levels under section 4458; and (II) when determining adequate insurance coverage levels for registered mail under section 4456

Repealed current rule	Proposed plain language rule
	(b) maintain FIB insurance coverage for the types of losses specified under section 4457 and in the amounts that meet the minimum coverage levels specified in section 4458; and (c) maintain adequate insurance for registered mail specified under section 4456.
Rule 35.5(k)	(13) **Client account opening required disclosure** (i) At the time of opening a client account the introducing broker must advise the client of: (a) its relationship to the carrying broker; and (b) the client's relationship to the carrying broker.
Rule 35.5(l)	(14) **Parties to margin and guarantee documents** (i) The introducing broker and the carrying broker or the introducing broker itself, may be party to a margin agreement and guarantee document. (ii) If a margin or guarantee agreement is only between the introducing broker and a client, then the introducing broker / carrying broker agreement must provide that the carrying broker may protect its interest in unpaid securities of the introducing broker when the introducing broker becomes insolvent, bankrupt, or ceases to be a Dealer Member.
Rules 35.5(l) and (m)	(15) **Disclosure on contracts, statements and correspondence** (i) The introducing broker must provide either ongoing or annual disclosure of its introducing broker / carrying broker relationship to clients as follows: (a) Where the introducing broker elects to provide ongoing relationship disclosure, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required. (b) Where the introducing broker elects to provide annual relationship disclosure: (I) the introducing broker must show its name on all client account contracts, statements, correspondence and other documents; (II) the introducing broker must provide an annual written disclosure to each of its clients whose accounts are carried by a carrying broker outline the relationship between: (A) the introducing broker and the carrying broker; and (B) the client and the carrying broker. However, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documents, the annual disclosure under sub-clause 2478(15)(i)(b)(II) is not required.

Repealed current rule	Proposed plain language rule
Rule 35.5(n)	(16) **Clients introduced to the carrying broker** (i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with IIROC requirements.
Rule 35.5(o)	(17) **Compliance with non-financial requirements** (i) For each account it introduces to the carrying broker, the introducing broker is responsible for compliance with all non-financial Corporation requirements unless stated otherwise in this Rule 2478.
Rule 35.5(p)	(18) **Handling client cash** (i) An introducing broker may facilitate transactions for a client account carried by a carrying broker by accepting client cheques: (a) in the introducing broker's name, and depositing those cheques in a bank account in the introducing broker's name for eventual deposit to an account in the carrying broker's name; or (b) in the carrying broker's name for deposit directly into a bank account in the carrying broker's name.
Rule 35.4(q)	(19) **Reporting of introducing broker principal positions** (i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and MFR. (ii) The carrying broker must report the introducing broker's principal positions it carries as a client account on its Form 1 and MFR.
	2479. – 2484. – Reserved.

Repealed current rule	Proposed plain language rule
	Part B - Arrangements between a Dealer Member and a foreign affiliate dealer
New	**2485. Arrangements that may be executed with a foreign affiliate** (1) A Dealer Member may carry the client accounts of its foreign affiliate dealer if: (i) The Dealer Member enters into an introducing broker / carrying broker agreement type that is permissible pursuant to sections 2470 through 2478 to be entered into between two Dealer Members; (ii) The Dealer Member complies with the applicable conditions and requirements that apply to introducing broker / carrying broker agreement type set out in sections 2470 through 2478, including the requirement to enter into a written agreement; (iii) The written agreement is: (a) in a form acceptable to the Corporation; (b) specifies the type of arrangement being entered into is an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement; (c) includes terms that meet the requirements of this Rule 2450 that apply to the type of arrangement being entered into; and (d) approved by the Corporation in advance of it coming into effect. (iv) The foreign affiliate dealer qualifies as a regulated entity; and (v) The Dealer Member complies with the additional conditions set out in section 2486.
New	**2486. Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer –** The parties to an introducing broker / carrying broker arrangement between a Dealer Member and its foreign affiliate dealer must comply with the following conditions and requirements:
Rule 35.6(b)	(1) **Annual disclosure requirement** (i) The foreign affiliate, at least annually, must provide written disclosure in a form satisfactory to the Corporation, to each of it's clients whose accounts are carried by the Dealer Member outlining: (a) the relationship between the Dealer Member and its foreign affiliate; (b) the relationship between the Dealer Member and the foreign affiliate's client; and (c) any CIPF coverage limitations on those client accounts.
Rule 35.6(c)	(2) **Foreign jurisdiction approval** (i) The Dealer Member must provide written approval of the arrangement between the Dealer Member and its foreign affiliate from the foreign affiliate's regulatory authority.
Rule 35.6(d)	(3) **Responsibility for compliance** (i) The Dealer Member's foreign affiliate is not required to comply with Corporation requirements solely because of the arrangement.

Repealed current rule	Proposed plain language rule
Rule 35.6(e)	(4) **Reporting balances** (i) When calculating RAC the Dealer Member must report on Statement A and Schedule 4 of Form 1 and the MFR one balance owing to or from its foreign affiliate representing the accounts of the clients it carries on behalf of its foreign affiliate.
Rule 35.6(f)	(5) **Segregating securities** (i) The Dealer Member must, when required, segregate securities it holds for its foreign affiliate's clients.
Rule 35.6(g)	(6) **Insurance** (i) The Dealer Member must include all accounts introduced to it by its foreign affiliate when calculating client net equity for minimum FIB coverage under section 4458.
	2487. – 2489. – Reserved.
	Part C - Permitted arrangements that are not considered to be introducing broker / carrying broker arrangements
Rule 35.1(d)	**2490. Certain arrangements executed with a Canadian financial institution affiliate** (1) A Dealer Member's arrangement under which employees of its affiliated Canadian financial institution: (i) handle securities clearing and settlement; (ii) maintain records; and (iii) perform operational functions for the Dealer Member is permitted and shall not be considered introducing broker / carrying broker arrangement for the purposes of Rule 2450 provided the custodial functions are handled on a segregated basis according to Corporation requirements.
New	**2491. Certain arrangements with other dealers** (1) A Dealer Member's clearing arrangement under which it acts as the clearing broker for another dealer that: (i) qualifies as a regulated entity; and (ii) is limited to dealing with institutional clients involving DAP / RAP accounts is permitted and is not considered an introducing broker / carrying broker arrangement for the purposes of Rule 2450, provided that the arrangement also qualifies as a clearing arrangement under the rules of the applicable exchange or self regulatory organization in the jurisdiction of the other dealer.
	2492. – 2494. – Reserved.

Repealed current rule	Proposed plain language rule
	Part D - Prohibited back office sharing arrangements
Rule 35.1(c)(i)	**2495. Prohibited introducing broker / carrying broker arrangements** (1) A Dealer Member must not enter into an introducing broker / carrying broker arrangement with any person except with: (i) another Dealer Member, in accordance with the requirements in sections 2470 through 2478; (ii) a foreign affiliate dealer, in accordance with the requirements in sections 2485 and 2486; or (iii) another Canadian registered firm or another foreign dealer, in accordance with requirements that are the same as or similar to the requirements in sections 2485 and 2486 and other arrangement-specific requirements set by the Corporation.
	2496. – 2499. – Reserved
	Rule 2500 – Dealer Member Directors and Executives
New	**2501. Introduction** (1) A Dealer Member's directors and executives must meet the proficiency and experience qualifications in this Rule.
Rule 7.3	**2502. General requirements for directors** (1) At least 40% of the Dealer Member's directors must: (i) either (a) be actively engaged in the Dealer Member's business and spend the majority of their time in the securities industry; or (b) occupy a position equivalent to an executive or a director at a related or affiliated securities dealer or affiliated financial institution; (ii) satisfy the applicable proficiency requirements of Section 2602(1)(ix); and (iii) have at least five years' experience in the financial services industry, acceptable to the Corporation. (2) The remaining directors, if actively engaged in the Dealer Member's or its related company's, business, must meet the requirements of (1)(i) and (ii) above.
Rule 7.4	**2503. General requirements for executives** (1) A Dealer Member's executives must: (i) be either (a) actively engaged in the Dealer Member's business and spend the majority of their time in the securities industry; or (b) executives or directors of a related or affiliated securities dealer or an affiliated financial institution; and (ii) meet the proficiency requirements that apply in 2602(1)(viii).

Repealed current rule	Proposed plain language rule
	(2) At least 60% of the Dealer Member's executives must have at least five years experience in the financial services industry, acceptable to the Corporation.
Rules 38.6(a) and (b)	**2504. Chief Financial Officer** (1) A Dealer Member must appoint one executive as Chief Financial Officer. The Chief Financial Officer need not be a full-time executive, if appropriate for the Dealer Member's business. The Chief Financial Officer must meet the proficiency requirements that apply in Section 2602(1)(x). (2) When a Chief Financial Officer leaves, the Dealer Member must either immediately appoint another qualified person as Chief Financial Officer or, with the Corporation's approval, appoint another executive as Acting Chief Financial Officer. Where an Acting Chief Financial Officer is appointed: (i) that person must meet the requirements of (1) above and Section 2602(1)(x) and be appointed as Chief Financial Officer, or (ii) another qualified person must be appointed by the Dealer Member as Chief Financial Officer, within 90 days of the previous Chief Financial Officer's leaving.
Rules 38.7(a), (b), (c) and (f)	**2505. Chief Compliance Officer** (1) A Member must appoint a Chief Compliance Officer (CCO) who must be an executive and may be the UDP. (2) When a Chief Compliance Officer leaves, the Dealer Member must either immediately appoint another qualified person as Chief Compliance Officer or, with the Corporation's approval, appoint another executive as Acting Chief Compliance Officer. Where an Acting Chief Compliance Officer is appointed: (i) that person must meet the requirements of (1) above and Section 2602(1)(xi) and be appointed as Chief Compliance Officer, or (ii) another qualified person must be appointed by the Dealer Member as Chief Compliance Officer, within 90 days of the previous Chief Compliance Officer's leaving.
Rules 38.5(a) and (b)	**2506. Ultimate Designated Person** (1) A Member must designate a director or executive as the Ultimate Designated Person (UDP) who must be the Chief Executive Officer of the Member or someone fulfilling that role. (2) A Member may designate additional UDPs to be responsible for separate business units.
Rule 7.5	**2507. Exemption** (1) The District Council may grant an exemption from any requirement or part of a requirement in this Rule if it believes that it would not harm the interests of the Dealer Member, its clients, the public, or the Corporation. The exemption may be on any terms and conditions that the District Council believes are necessary. **2508. – 2549. – Reserved.**

Repealed current rule	Proposed plain language rule
	Rule 2550 – Approval of individuals
New	**2551. Introduction** (1) This Rule: (i) identifies those individuals who require approval, and (ii) describes the conditions under which the Corporation permits a registered representative or investment representative to be involved in other business activities. (2) The Corporation requires approval to ensure that persons working in certain activities are of good character and competent to perform those activities.
Rule 18.2(a)	**2552. Individual approval** (1) A Dealer Member must ensure that each of the individuals working in the Corporation under the categories in subsection (2) below is: (i) registered or licensed (or exempt from such registration or licensing) under the securities legislation in each jurisdiction in which the individual conducts business in the appropriate registration category, and (ii) approved by the Corporation in the applicable Corporation category, before the individual begins working in that role.
New	(2) The registration categories are: (i) supervisor (ii) director (either industry or non-industry) (iii) executive (iv) chief financial officer (v) chief compliance officer (vi) registered representative (vii) investment representative (viii) trader (ix) investor; or (x) ultimate designated person
New	(3) Only a Dealer Member's director, executive, employee or agent can be an approved person.
Rule 18.2(a)	(4) A person seeking Corporation approval in a Corporation category must be registered or licensed: (i) in the appropriate registration category, (ii) under securities legislation in the applicable jurisdictions, before the Corporation approves him or her.

Repealed current rule	Proposed plain language rule
New	(5) A Dealer Member must ensure that each individual listed in (2) above complies with the requirements of this Rule for that individual's Corporation category.
Rules 7.8 and 18.2(a)	(6) An approved person in any Corporation category is subject to Corporation jurisdiction and must comply with Corporation requirements. If the Corporation revokes its approval, the formerly approved person must immediately cease any activity requiring Corporation approval.
Rules 7.9 and 18.18	(7) A Dealer Member must file a report specified by the Corporation on the conditions imposed on an approved person under Rule 8100 within 10 business days of the end of a month. If a Dealer Member does not file such a report on time, it must pay the Corporation the applicable late filing fee.
Rules 7.7 and 18.15	(8) Approved persons must: (i) be paid by their Dealer Member, its related companies, or affiliates for any securities-related activities they carry out for them; and (ii) not accept, nor allow an associate to accept, any pay, wages, salary, fees, gratuity, advantage, benefit or other consideration from any other person for those activities.
Rules 7.2 and 38.3(a)	**2553. Approval of supervisors, directors, and executives** (1) A Dealer Member may have an individual work as a supervisor only if he or she: (i) meets the Corporation requirements for a supervisor; (ii) meets the applicable proficiency requirements of Clauses 2602(1)(i)-(vii) before Corporation approval; and (iii) is approved by the Corporation to act as a supervisor.
Rule 7.2	(2) Each of the Dealer Member's directors must: (i) meet the requirements of Section 2502; (ii) satisfy the proficiency requirements of Clause 2602(1)(ix); and (iii) be approved by the Corporation as a director.
Rule 7.2	(3) A Dealer Member may have an individual work as an executive only if he or she: (i) meets the requirements of Section 2503; (ii) satisfies the applicable proficiency requirements of Clause 2602(1)(viii); and (iii) is approved by the Corporation as an executive.
Rule 38.6(a)	(4) A Dealer Member may appoint an executive as chief financial officer only if he or she: (i) meets the requirements of Section 2504; (ii) satisfies the applicable proficiency requirements of Clause 2602(1)(x); and (iii) is approved by the Corporation as a chief financial officer.
Rules 38.7(a), (b) and (e)	(5) A Dealer Member may appoint an executive as chief compliance officer only if he or she: (i) meets the requirements of Section 2505;

Repealed current rule	Proposed plain language rule
	(ii) satisfies the proficiency requirements of Clause 2602(1)(xi); and (iii) is approved by the Corporation as chief compliance officer.
Rules 38.5(a)	(6) A Dealer Member may have a director or executive act as the UDP only if that individual: (i) meets the Corporation requirements set out in Section 2506; (ii) meets the applicable proficiency requirements for his or her position; and (iii) is approved by the Corporation to act as the UDP.
Rules 18.2(a) and 18.3	**2554. Approval of registered representatives and investment representatives and their obligations** (1) A Dealer Member may employ an individual as a registered representative or an investment representative if he or she: (i) is registered or licensed (or exempt from registration or licensing) to trade in securities or futures contracts or options under the securities legislation in all jurisdictions in which his or her clients reside; (ii) meets the applicable proficiency requirements of, or obtained an exemption from, Rule 2600 prior to approval; and (iii) is approved by the Corporation as a registered representative or investment representative.
Rules 18.4 18.7(d)	(2) The Corporation will: (i) automatically suspend a registered representative dealing with retail clients if he or she does not complete all required post-approval courses in their registration category; and (ii) reinstate a registered representative dealing with retail clients once he or she has passed the required courses.
Rules 18.2(b) and (c)	(3) The following list describes the notifications that the Corporation requires of Dealer Members: (i) A Dealer Member must notify the Corporation whether a registered representative will deal with either retail or institutional clients. A registered representative dealing with: (a) retail clients may take orders from, or give advice to, all types of clients; or (b) institutional clients may take orders from, or give advice to, institutional clients only. (ii) A Dealer Member must notify the Corporation whether an investment representative will deal with either retail or institutional clients. An investment representative dealing with: (a) retail clients may take orders from all types of clients; (b) institutional clients may take orders from institutional clients only. (iii) A Dealer Member must notify the Corporation which of the following financial

Repealed current rule	Proposed plain language rule
	instruments a registered representative or investment representative will deal in: (a) only mutual funds, government or government-guaranteed debt instruments, and deposit instruments issued by a federally-regulated bank, trust company, credit union or caisse populaire, except those for which all or part of the interest or return is indexed to the performance of another financial instrument or index; (b) general securities business; (c) options; or (d) futures contracts and futures contracts options. (iv) A Dealer Member must notify the Corporation if a registered representative will engage in discretionary portfolio management under Corporation Rules. (v) A Dealer Member may permit an individual to conduct a business of the type described in clauses (i)-(iii) above only if: (a) the Dealer Member has notified the Corporation that the individual: (I) will conduct that type of business; and (II) has completed Rule 2600 proficiency requirements for conducting the type of business. (vi) An initial application for approval constitutes notice under this subsection regarding the types of business identified in the application. (vii) An individual may conduct a business in the type described in clauses (i)-(iii) above on a Dealer Member's behalf only if the individual has completed Rule 2600 proficiency requirements for conducting the type of business.
Rules 18.7(a), (b) and (c)	(4) (i) An individual qualified to conduct only mutual fund business must meet the proficiency requirements set out in Clause 2602(1)(xxi). (ii) A dealer member must notify the Corporation within 18 months of initial approval that an individual qualified to conduct only mutual funds business has completed the course required before approval for a registered representative in Rule 2602(1)(xii) or an investment representative in 2602(1)(xvii) and that the restriction to mutual funds only has been removed. Thereafter a registered representative must meet the post-approval proficiency requirements in Rule 2602(1)(xii). (iii) Clause (ii) does not apply to a registered representative or investment representative qualified to conduct mutual funds only who was approved prior to September 28, 2009 in a province which permits registration as a dealer representative restricted to mutual funds.
Rule 18.14	(5) A registered representative or investment representative may have another occupation if: (i) the securities commission, or the securities legislation, of the jurisdiction in which the registered representative or investment representative works, or intends to work, allows him or her to devote less than full time to the Dealer Member's business;

Repealed current rule	Proposed plain language rule
	(ii) the Dealer Member establishes policies and procedures, acceptable to the Corporation, for other occupations that: (a) ensure continuous service to clients; (b) deal with conflicts of interest; (c) require its registrants to notify the Dealer Member in advance of all other occupations they propose to be involved in; and (d) set out the Dealer Member's review and approval process for other occupations; (iii) a registered representative's or investment representative's other occupation: (a) does not harm the reputation of the securities industry; (b) is not with another Member of a recognized Canadian SRO unless: (I) it is a related company of the Dealer Member employing the registered representative or investment representative, and cross-guarantees under Subsection 2154(3) have been provided; and (II) the dual employment is allowed under the applicable securities legislation.
Rule 18.16	(6) A Dealer Member must ensure that, when dealing with the public, its registered representatives or investment representatives use designations that accurately indicate: (i) the type of business that he or she has been approved by the Corporation to conduct; or (ii) the role that he or she carries out or has been approved by the Corporation to carry out.
	2555. Person owning or controlling more than 10% of Dealer Member's voting shares
Rule 7.6(a)	(1) A Dealer Member's director or executive who, directly or indirectly, owns or controls a voting interest of a Dealer Member of 10% or more must meet the proficiency requirements of Clause 2602(1)(xxvi).
Rule 7.6(b)	(2) A person, other than a Dealer Member's director or executive who (i) is actively engaged in the business of the Dealer Member, and (ii) directly or indirectly owns or controls a voting interest in a Dealer Member of 10% or more must meet the proficiency requirements of Clause 2602(1)(xxvi).
Rules 500.1 and 500.2	**2556. Trader** (1) The Corporation may approve a person as a trader if that person has submitted a trader application form to the Corporation and has met the applicable proficiency requirements of Clauses 2602(1)(xxiv)-(xxv).
	2557. – 2599. – Reserved.

Repealed Current Rule	Proposed plain language rule

Rule 2600 –
Proficiency Requirements and Exemptions from Proficiency Categories

2900 Part I Introduction

2601. Introduction

(1) This Rule sets out the minimum educational and experience requirements for individuals requiring Corporation approval. The requirements are designed to ensure that approved persons are qualified to perform their job functions competently and that a Dealer Member's business is conducted with integrity.

Part A - Proficiency Requirements

New

2602. Proficiency requirements for approved persons

(1) Each applicant for approval in a Corporation Category must meet the proficiency requirements set out below for that Corporation category. Unless otherwise stated, the CSI Global Education Inc. administers all courses and examinations.

Corporation category	Courses completed before approval	Courses to be completed after approval	Experience and other requirements
Supervisors – Retail			
Rule 2900, Part I, (A)(1)(a)(i) and (ii) (i) Supervisor of registered representatives dealing with retail clients	▪ the Branch Managers Course (BMC); ▪ the Canadian Securities Course (CSC); and ▪ the Conduct and Practices Handbook Course (CPH)	▪ the Effective Management Seminar within 18 months from the date of approval as supervisor of registered representa-tives dealing with retail clients	▪ two years of relevant experience working for a securities dealer or broker or equivalent experience acceptable to the District Council
Rule 2900, Part I, (A)(1)(a)(iii) (ii) Supervisor of only investment representa-tives dealing with retail clients	▪ the BMC; ▪ the CSC; and ▪ the CPH		▪ two years of relevant experience working for a securities dealer or broker or equivalent experience acceptable to the District Council

Repealed Current Rule	Proposed plain language rule			
Rule 2900, Part I, (A)(1)(a)(iv)	(iii) Supervisor of options trading with retail clients	▪ the requirements for a Supervisor under (i) or (ii) above, as applicable; ▪ the Options Supervisors Course (OPSC); ▪ the Derivatives Fundamentals Course (DFC); and ▪ the Options Licensing Course (OLC)		
Rule 2900, Part I, (A)(1)(a)(v)	(iv) Supervisor of futures contracts and futures contracts options trading with retail clients	▪ the Canadian Commodity Supervisors Exam; ▪ the Futures Licensing Course (FLC); and ▪ **either** the Derivatives Fundamentals Course (DFC) **or** the National Commodities Futures Examination (NCFE) administered by the Financial Industry Regulatory Authority (FINRA)		
	Supervisors – Institutional			
Rule 2900, Part I, (A)(1)(b)(i)	(v) Supervisor of RRs or IRs dealing with institutional clients only	▪ the CSC; ▪ the CPH; and ▪ the BMC **or** the PDO		
Rule 2900, Part I, (A)(1)(b)(ii)	(vi) Supervisor of options trading for institutional clients	▪ the requirements for a supervisor of approved persons dealing with institutional		

Repealed Current Rule	Proposed plain language rule				
		clients only; and ▪ either: the DFC and OLC **or** the Options Supervisors Course (OPSC)		
Rule 2900, Part I, (A)(1)(b)(iii)	(vii) Supervisor of futures contract and futures contract options trading for institutional clients	▪ the requirements for a supervisor of approved persons dealing with institutional clients only; ▪ the Canadian Commodity Supervisors Exam; and ▪ **either**: the DFC and FLC **or** the FLC and the National Commodity Futures Examination administered by FINRA		
	Executives and Directors			
Rule 2900, Part I, (A)(2)	(viii) Executive	▪ the PDO; and ▪ **if approved to trade,** the applicable proficiency requirements		
Rule 2900, Part I, (A)(2)	(ix) Director	▪ the PDO; and ▪ **if approved to trade,** the applicable proficiency requirements		
Rule 2900, Part I, (A)(2A)	(x) Chief Financial Officer	▪ the PDO; and ▪ the Chief Financial Officers Qualifying Examination		▪ a financial accounting designation, financial accounting university degree or diploma or equivalent work experience
Rule 2900, Part I, (A)(2B)	(xi) Chief Compliance Officer	▪ the PDO; and ▪ the Chief Compliance Officers		

Repealed Current Rule	Proposed plain language rule			
		Qualifying Examination.		
	Registered Representatives and Investment Representatives			
Rule 2900, Part I, (A)(3)	(xii) Registered Representative dealing with retail clients (other than registered representatives dealing only in mutual funds)	If not previously registered: ▪ the CSC; ▪ the CPH; and ▪ a 90-day training program after completion of the CSC. The Dealer Member must employ the applicant full time during this program If previously registered with a recognized foreign SRO within three years before requesting approval: ▪ the New Entrants Course	▪ the Wealth Management Essentials Course within 30 months of starting to deal with retail clients	▪ six months of supervision and supervisory reporting from approval date
Rule 2900, Part I, (A)(3)(a)	(xiii) Registered Representative dealing with institutional clients only	If not previously registered: ▪ the CSC; and ▪ the CPH If previously registered with a recognized foreign SRO within three years before requesting approval: ▪ the New Entrants Course		
Rule 2900, Part I, (A)(8)	(xiv) Registered Representative dealing in options with retail clients	▪ the requirements for a Registered Representative dealing with retail clients; ▪ the DFC; and ▪ the OLC **or** ▪ the New Entrants Course; and		

Repealed Current Rule	Proposed plain language rule				
			▪ The Series 7 administered by FINRA		
Rule 2900, Part I, (A)(8)	(xv) Registered Representative dealing in options with institutional clients only		▪ the requirements for a Registered Representative dealing with institutional clients only; ▪ the DFC; and ▪ the OLC **or** ▪ the New Entrants Course; and ▪ The Series 7 administered by FINRA		
Rule 2900, Part I, (A)(7)	(xvi) Registered Representative dealing with clients in futures contracts or futures contracts options		▪ the FLC; and ▪ **either** the DFC **or** the NCFE		
Rule 2900, Part I, (A)(7)	(xvii) Investment Representative dealing with retail clients		If not previously registered: ▪ the CSC; ▪ the CPH; and ▪ a 30-day training program after completing the CSC. The Dealer Member must employ the applicant full-time during this program If previously registered with a recognized foreign SRO within three years of requesting approval: ▪ the New Entrants Course		▪ six months of supervision and supervisory reporting from approval date
Rule 2900, Part I, (A)(3)(a)	(xviii) Investment Representative dealing with institutional		If not previously registered: ▪ the CSC; and ▪ the CPH		

Repealed Current Rule	Proposed plain language rule				
		clients only	If previously registered with a recognized foreign SRO within three years of requesting approval ▪ the New Entrants Course		
Rule 2900, Part I, (A)(8)	(xix)	Investment Representative dealing in options with retail clients	▪ the requirements for an Investment Representative dealing with retail clients, and ▪ the DFC, and ▪ the OLC **or** ▪ the New Entrants Course, and the Series 7 administered by FINRA		
Rule 2900, Part I, (A)(7)	(xx)	Investment Representative dealing with clients in futures contracts or futures contracts options	▪ the FLC; and ▪ **either** the DFC **or** the NCFE		
Rule 2900, Part I, (A)(4)	(xxi)	Registered Representative and Investment Representative dealing only in mutual funds	One of the following: ▪ the CSC ▪ the Canadian Investment Funds Course administered by the Investment Funds Institute of Canada ▪ the Investment Funds in Canada Course administered by CSI Global Education Inc. and	For a Registered Representative or Investment Representative restricted to mutual funds on or after September 28, 2009**:** ▪ the CSC and the CPH within 270 days of initial approval; and ▪ either the 30- or 90- day training program within 18 months of initial	

Repealed Current Rule	Proposed plain language rule				
		previously the Institute of Canadian Bankers	approval, as applicable. These requirements do not apply to a Registered Representative or Investment Representative who was restricted to mutual funds prior to September 28, 2009 and who is registered only in provinces or territories that allow him or her to be restricted to mutual funds only indefinitely.	
Rule 2900, Part I, (A)(6)(6.1)	(xxii) Portfolio Management – Registered Representative providing discretionary portfolio management for managed accounts not trading in futures contracts	▪ the CPH; and ▪ **either** the courses necessary to attain the Canadian Investment Manager Designation **or** the three levels of the Chartered Financial Analyst program administered by the CFA Institute.		One of the following: ▪ three years or more as a registered representative; **or** ▪ three years or more as a research analyst for a SRO Member; **or** ▪ two years or more (ending within three years of requesting approval) as a registered adviser under Canadian securities legislation managing, on a discretionary basis, at least $5,000,000 aggregate assets; **or** ▪ five years or more (ending within three years of requesting approval) managing a portfolio of $5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution
Rule 2900, Part I, (A)(6)(6.2)	(xxiii) Portfolio Management – Registered Representative providing discretionary portfolio management	▪ the Canadian Commodity Supervisors Examination; ▪ the FLC; ▪ the courses for Derivatives		▪ 5 years experience (ending within 3 years of commencing to exercise discretionary authority over managed accounts) as an Approved Person actively engaged in

Repealed Current Rule	Proposed plain language rule				
		for managed accounts trading futures contracts or futures contracts options only	Market Specialist Designation **or** ▪ the CFA program administered by the CFA Institute		advising on and trading in futures contracts or futures contracts options for customer accounts.
		Traders			
Rule 2900, Part I, (A)(5)(a)		(xxiv) Trader on the Toronto Stock Exchange or TSX Venture Exchange	▪ the Trader Training Course, unless the applicable Exchange grants an exemption		
Rule 2900, Part I, (A)(5)(b)		(xxv) Trader on the Bourse de Montreal	▪ the proficiency requirements determined to be acceptable by the Bourse de Montreal		
		Investors			
Rules 7.6(b) and 2900, Part I, (A)(2)		(xxvi) Investor actively engaged in the business and beneficially owning more than 10% of Dealer Member's voting securities	▪ the PDO		

Part B - Exemptions from Proficiency Requirements

2603. General and discretionary exemptions

Rule 2900, Part I, (B)

(1) Under Rule 8100, a District Council or its delegate may exempt any person or class of persons from the section 2602 proficiency requirements on any terms and conditions it believes are necessary. The applicant must pay any fees prescribed by the Board for this exemption.

Rules 20.24 and 2900, Part I, (B)

(2) Under Rule 8100, a District Council or its delegate may exempt an applicant from the requirement to write or rewrite any required course, in whole or in part, if the District Council or its delegate believes that the applicant

(i) has adequate experience, or

(ii) has passed acceptable industry courses or examinations, or

(iii) both.

Repealed Current Rule	Proposed plain language rule
	This exemption may be subject to any conditions the District Council or its delegate believes necessary. The applicant must pay any fees prescribed by the Board for this exemption.
Rule 2900, Part II, Introduction and (B)(1)	**2604. Exemptions from writing the required courses** (1) (i) Unless Corporation requirements state otherwise, an approved person is exempt from completing a proficiency requirement introduced after his or her approval. (ii) Unless Corporation requirements state otherwise, a former approved person applying for approval in the same category as previously approved within three years of that approval lapsing is exempt from completing a proficiency requirement introduced since his or her original approval. (2) As set out in the table below, an applicant is exempt from writing the required courses if the applicant passed the course(s) required for exemption, and met the exemption criteria.

Required course	Course(s) required for exemption	Exemption criteria
Rule 2900, Part II, (B)(2) (i) the CSC	▪ the New Entrants Course	▪ applicant was approved or licensed with a recognized foreign SRO or recognized foreign regulatory authority, **and** ▪ is seeking approval within two years of successfully completing the New Entrants Course
Rule 2900, Part II, (B)(3) (ii) the DFC		▪ applicant is requesting approval within two years of passing one of the Options Licensing Course, the Options Supervisors Course, the FLC, or the Canadian Commodity Supervisors Examination
Rule 2900, Part II, (B)(4) (iii) the Wealth Management Essentials Course	▪ the Investment Management Techniques Course (IMT) or Professional Financial Planning Course (PFPC); and ▪ the Wealth Management Techniques Course (WMT) or Portfolio Management Techniques Course (PMT)	▪ has successfully completed the IMT or the PFPC prior to July 4, 2008, having been enrolled prior to July 4, 2006; and o is seeking approval within two years of successfully completing the WMT or the PMT; or o is seeking re-approval as an RR within three years of successfully completing the WMT or the PMT
Rule 2900, Part II, (B)(5) (iv) 90-Day Training Program	▪ none	Requests approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for retail clients **either**: ▪ with a Dealer Member as an

Repealed Current Rule	Proposed plain language rule		
			RR; **or** ▪ by a recognized foreign regulatory authority or recognized foreign SRO; **or** ▪ as an advising representative by a Canadian securities regulatory authority
Rule 2900, Part II, (B)(6)	(v) 30-Day Training Program	▪ none	Requests approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for retail clients either: ▪ with a Dealer Member as an IR or RR; **or** ▪ by a recognized foreign regulatory authority or recognized foreign self-regulatory organization; **or** ▪ as an advising representative by a Canadian securities regulatory authority

2605. Exemptions from rewriting courses

Rule 2900, Part II, Introduc-tion; Rule 2900, Part II, (A)(1)-(2)

(1) Unless otherwise exempted under this section 2605, an applicant for approval must rewrite any courses needed to meet the proficiency requirements of subsection 2602(1).

(2) An applicant requesting approval in a Corporation category in which the applicant was approved within the last three years is exempt from rewriting a required course under subsection 2602(1).

(3) An applicant for approval, or an approved person, who previously conducted a type of business within the last three years is exempt from rewriting a required course or examination.

(4) An applicant for approval who

(i) completed a required course under subsection 2602(1) within two years of requesting approval in a Corporation category, and
(ii) was not an approved person or did not conduct a type of business during that period,

is exempt from rewriting that required course.

(5) In addition to the general exemptions above, an applicant is exempt from rewriting the courses as set out in the table below if the applicant's current status and exemption criteria are met.

Course	Applicant's current status	Exemption criteria
Rule 2900, Part II, (A)(3)(a) (i) CSC	▪ not approved in a category, or did not conduct a type of business requiring the CSC	▪ approval requested within **two** years of passing one of the Professional Financial Planning Course (PFPC), the Wealth Management Essential Course (WME), the Wealth Management Techniques Course (WMT), the Investment Management

Repealed Current Rule	Proposed plain language rule			
				Techniques Course (IMT), the Portfolio Management Techniques Course (PMT), all three levels of the CFA program or the receipt of the CFA charter; **or** ▪ approval requested within three years of passing the New Entrants Course or the CSC
Rule 2900, Part II, (A)(3)(b)		(ii) CSC	▪ previously approved in a category, or conducted a type of business requiring the CSC	▪ approval requested within **three** years of passing one of the, PFPC, WME, WMT, IMT, PMT, all three levels of the CFA Program; or the receipt of the CFA charter
Rule 2900, Part II, (A)(4)		(iii) Chief Financial Officers Qualifying Examination	▪ has never been approved as a Chief Financial Officer	▪ applicant has been working closely with and assisting the Chief Financial Officer since passing the Chief Financial Officers Qualifying Examination
Rule 2900, Part II, (A)(4)		(iv) Chief Financial Officers Qualifying Examination	▪ has previously been approved as a Chief Financial Officer	▪ applicant has been working closely with and assisting the Chief Financial Officer since the latter of passing the Chief Financial Officers Qualifying Examination or being approved as a Chief Financial Officer.
Rule 2900, Part II, (A)(5)(a)		(v) DFC	▪ an applicant for approval or approved person who will be dealing with clients in futures contracts or futures contracts options	▪ approval requested within two years of passing the FLC or the Canadian Commodity Supervisors Exam
Rule 2900, Part II, (A)(5)(b)		(vi) DFC	▪ an applicant for approval or approved person dealing with clients in options	▪ approval requested within two years of completing the OLC
Rule 2900, Part II, (A)(6)		(vii) FLC	▪ an applicant for approval or approved person who will be dealing with clients in futures contracts or futures contracts options	▪ approval requested within two years of passing the Canadian Commodity Supervisors Exam
Rule 2900, Part II, (A)(7)		(viii) Wealth Management Essentials Course		▪ approval requested within two years of passing one of the PFPC, WMT, IMT, PMT, or all three levels of the CFA Program

Repealed Current Rule	Proposed plain language rule			
Rule 2900, Part II, (A)(9)	(ix)	90-Day Training Program		Requests approval within three years of being approved or registered **either**: ▪ with a Dealer Member; **or** ▪ by a recognized foreign regulatory authority or recognized foreign SRO; **or** ▪ as an investment advisor by a Canadian securities regulatory authority in a capacity allowing trading of, and advising in, securities for retail clients
Rule 2900, Part II, (A)(8)	(x)	30-Day Training Program		Requests approval within three years of being approved or registered either: ▪ with a Dealer Member; **or** ▪ by a recognized foreign regulatory authority or recognized foreign; **or** ▪ as an investment advisor by a Canadian securities regulatory authority in a capacity allowing trading of, or advising in, securities for retail clients.
	2606. – 2649. – Reserved.			
	Rule 2650 – Continuing Education Requirements for Approved Persons			
	2651. Introduction			
2900 Part III(B) first paragraph	(1) The Corporation requires Approved Persons to meet continuing compliance education and professional development requirements set out in this Rule to ensure that they update their knowledge of rules and industry developments regularly.			
New	(2) A Dealer Member is responsible for ensuring that an Approved Person meets the requirements during each training cycle, and for keeping adequate records of compliance.			
	Part A - The CE Program and Continuing Education Requirements			
	2652. General CE program description			
New	(1) The CE program consists of two parts: (i) a compliance course, which covers ethical issues, regulatory developments and rules; and (ii) a professional development course, which covers current issues in a CE participant's chosen area of specialization and expands knowledge in other areas.			
Rule 2900, Part III, Introduction	(2) The CE program operates in three-year cycles. The first cycle started on January 1, 2000. The beginning and end of each cycle is the same for all CE participants.			
Rule 2900, Part III, Guidelines	(3) The Corporation will review a Dealer Member's CE program during its audit to ensure that it is properly documented and satisfies the requirements of this Rule.			

Repealed Current Rule	Proposed plain language rule
for the Continuing Education Program, Introduc-tion, 4th paragraph and The Compliance Course (A)(5)	
Rule 2900, Part III, (B) and Schedule I	**2653. Continuing education requirements** (1) In each cycle throughout his or her career, a CE participant must meet the continuing education requirements for the applicable Corporation category as set out in the following table:

Approval Category	Customer Type	Compliance course requirement	Professional development requirement
Registered Representative	Retail	Yes	Yes
Registered Representative	Inst.	Yes	No
Investment Representative	Inst. or Retail	Yes	No
Trader	N/A	Yes	No
Supervisor of RRs dealing with retail customers	N/A	Yes	Yes
Supervisor of RRs or IRs dealing with institutional customers	N/A	No	No
Supervisors supervising IRs only, dealing with retail customers	N/A	Yes	No
Supervisors supervising options trading only	N/A	Yes	No
Supervisors supervising future contracts and future contracts options only	N/A	Yes	No
Supervisors supervising managed accounts only	N/A	No	No
Supervisors of opening new accounts and account activity under Rule 1300.2; Supervisors of discretionary accounts under Rule 1300.4; Supervisors for the pre-approval of advertising, sales literature and correspondence, including research report under rule 29.7 and 3400	N/A	No	No

Repealed Current Rule	Proposed plain language rule

Ultimate Designated Person	N/A	Yes	No
Chief Compliance Officer	N/A	Yes	No

New

(2) If an approved person is approved in more than one IIROC Approval category, he or she must meet the CE program requirements of the more demanding category.

Rule 2900, Part III, (C)

(3) The following table shows the approved persons who are exempt from all or part of the CE program:

Approved persons	Exempt from
(i) *CE participants* approved as *registered representatives* or *supervisors* who were continuously approved in a trading capacity with an *SRO member* for more than 10 years as of January 1, 2000	the professional development course requirement;
(ii) Partners, Directors and Officers approved in a non-trading and non-supervisory categories of registration	Exempt from the Program

2654. Part B - CE Program Courses and Administration

The compliance course

Rule 2900 Part III, (J) and Guidelines for the Continuing Education Program, The Compliance Course (A)(2)&(4), (C)(1)

(1) A Dealer Member must:

(i) provide the CE program either itself or through external course providers;

(ii) ensure that compliance courses comply with this section;

(iii) ensure that compliance courses cover at least one of the following topics:

(a) a review of the critical regulations and their application,

(b) regulatory changes,

(c) rules relating to the Dealer Member's product offerings, or

(d) ethics;

(iv) evaluate a CE participant's knowledge and understanding of the course materials; and

(v) keep a record of CE participants who complete the compliance requirement.

Rule 2900, Part III, (J)(1) first sentence and Guidelines for the Continuing Education Program,

(2) A CE participant must complete at least 12 hours of compliance courses in each cycle to meet the CE program requirements.

Repealed Current Rule	Proposed plain language rule
The Compliance Course (A)(1), (B)(1)-(2)	
Rule 2900 Part III, Guidelines for the Continuing Education Program, The Compliance Course (A)(6)-(7), (B)(4)	(3) A CE participant must pass any examination that is part of a compliance course in order to count that course towards his or her compliance requirement.
Rule 2900 Part III, Guidelines for the Continuing Education Program, The Compliance Course (A)(7)&(9)	(4) The 12 hours of compliance courses set out in clause (2) above may include: (i) a maximum of four hours of foreign CE courses that have a compliance component, as long as the remaining eight hours are made up of Canadian CE courses; (ii) seminars that support other courses or prepare a CE participant for an examination only if the CE participant completes the other courses or passes the examination. The supported CE courses must be counted in the same CE program cycle.
Rule 2900, Part III, Guidelines for the Continuing Education Program, The Compliance Course (C)(4)	(5) Courses may be accredited for CE program credits through the Corporation's accreditation process.
	2655. The professional development course
Rule 2900, Part III, (K)(1)-(2), (4)	(1) A Dealer Member must: (i) provide the professional development course either itself or through an external course provider; (ii) have its training supervisor or other responsible person approve a CE participant's chosen CE course for relevance to the CE participant's investment industry role; (iii) ensure that professional development courses, whether offered by the Dealer Member or an outside course provider, comply with this section; (iv) evaluate a CE participant's understanding of the CE course materials, for example through examination, course work or case study; and (v) keep a record of CE participants who complete the compliance requirement.
Rule 2900,	(2) A CE participant:

Repealed Current Rule	Proposed plain language rule
Part III, (K)(1), (L)(2)&(4) and Guidelines for the Continuing Education Program, The Professional Development Course (B)(2)	(i) must complete at least 30 hours of professional development courses (provided by the Dealer Member or an external course provider) in each cycle to meet the CE program requirements; and (ii) may use a professional development course completed in one cycle that is in excess of his or her professional development requirement in that cycle to satisfy professional development course requirements in the next cycle. The course used for the next cycle must be a single course taking 30 hours or more (iii) may only use the Professional Financial Planning Course, the Investment Management Techniques Course or the Wealth Management Essentials Course under clause (ii) if the course was not used to satisfy the Corporations category requirement under Rule 2600.
Rule 2900 Part III, Guidelines for the Continuing Education Program, The Professional Development Course (A)(7)-(8)&(10)	(3) The 30 hours of professional development courses referred to in clause (2)(i) above may include: (i) entirely foreign CE courses if the CE course relates to the CE participant's business; (ii) CE courses with examinations only if the CE participant passes the examination; (iii) seminars that support other CE courses or prepare a CE participant for a CE course or examination only if the CE participant completes the CE course or passes the examination. The supporting or preparatory course must be counted in the same CE program cycle.
Rule 2900, Part III, (K)(3)	(4) A Dealer Member may obtain accreditation for its CE programs through the Corporation's accreditation process.
Rule 2900, Part III, (H)(1)&(3)	**2656. Dealer Member's administration of CE program** (1) A Dealer Member must: (i) keep evidence of a CE participant's CE course completion with either a certificate the course provider issues, an attendance sheet, or a bulk notice of completion. (ii) keep CE program certification records for each cycle until the end of the following cycle.
Rule 2900 Part III, (I)	(2) A Dealer Member must: (i) notify the Corporation of all its CE participants who have met their continuing education requirements in each cycle, and (ii) file that notice within 10 days of the end of the month in which the Dealer Member becomes aware of such completion.
	Part C - Entering and Continuing in the CE Program
	2657. Participation of recently approved persons
Rule 2900, Part III, (D) first paragraph	(1) A recently approved person does not become a CE participant for the first three years after approval.

Repealed Current Rule	Proposed plain language rule
Rule 2900, Part III, (D)(1)-(3)	(2) Once a newly approved person has been approved for three years, the approved person must participate in the CE program, starting as follows: (i) if the three years since approval ends in the first year of a cycle, the approved person becomes a CE participant during that cycle; (ii) if the three years since approval ends in the second or third year of a cycle, the approved person becomes a CE participant at the beginning of the next three-year cycle. (iii) The chart below gives examples of the entry dates into the CE program:

An approved person first approved in the year:	Starts CE in this cycle
2004	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2005	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2006	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2007	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2008	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2009	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2010	Cycle 6: 1/Jan/2015 to 31/Dec/2017
2011	Cycle 6: 1/Jan/2015 to 31/Dec/2017
2012	Cycle 6: 1/Jan/2015 to 31/Dec/2017

Rule 2900, Part III, (L)(3)	(3) A newly approved person may use a professional development course completed during the cycle prior to his or her becoming a CE participant, in the first cycle in which he or she becomes a CE participant, if it meets the requirements of clause 2606(2)(xii).
	2658. Voluntary participation in the CE program
Rule 2900, Part III, (G)(1)	(1) Individuals who voluntarily participate in the CE program by completing select CE courses are exempt from rewriting the CSC or the CPH, as required by subsection 2605(1). This exemption is valid until the end of the first year of the next cycle.
Rule 2900, Part III, (G)(2)	(2) To receive this automatic exemption, the voluntary CE participant must complete the CE courses in the cycle in which the CSC or CPH expired and must continue voluntary participation in each cycle, until re-approved.
Rule 2900, Part III, (G)(5)	(3) Voluntary CE participants: (i) must complete both a professional development course and a compliance course in each cycle to maintain voluntary-participation standing and qualify for the exemptions set out in subsection (1). (ii) must chose from Corporation-accredited compliance and professional development courses only.
	2659. Re-approval of former approved persons
Rule 2900, Part III, (E)(1)	(1) A person requesting approval who was an approved person more than three years before the request must complete the CE program in the cycle in which the person returns.
Rule 2900, Part III,	(2) An individual required to rewrite the CSC and the CPH to be approved may apply these courses towards the CE program requirements in the cycle in which they rewrote them. In

Repealed Current Rule	Proposed plain language rule
(E)(2)	this case, however, the CSC cannot be carried forward to fulfill the professional development requirement for the next cycle.
Rule 2900, Part III, (E)(3)	(3) An individual who (i) was exempted previously from the professional development requirement under clause 2653(3)(i), and (ii) requests re-approval after an period of more than three years during which they were not approved must complete the CE program for the requested Corporation category. An individual who was a voluntary CE participant during the un-approved period need not rewrite the CSC and the CPH and will continue to be exempt from the professional development requirement when re-approved. An individual who requests approval within three years of being approved will continue to be exempt from the professional development requirement.
	Part D - Changes during a Cycle
	2660. Changes to Corporation category during a cycle
Rule 2900, Part III, (F)	(1) The following table shows the requirements a CE participant must meet when changing his or her IIROC Approval category during a cycle:

When change occurs	Change from	Change to	CE program requirements for change
Rule 2900, Part III, (F)(1) (i) First year of a cycle	Corporation category requiring compliance course only	Corporation requiring both compliance and professional development courses	▪ complete both courses during the cycle
Rule 2900, Part III, (F)(1) (ii) Second year of a cycle	Corporation category requiring compliance course only	Corporation category requiring both compliance and professional development courses	▪ complete compliance course in current cycle ▪ new professional development requirement starts in next cycle
Rule 2900, Part III, (F)(2) (iii) Anytime during a cycle	Corporation category requiring both compliance and professional development courses	Corporation category requiring compliance course only	▪ meet requirements for Corporation category in which approved at end of the cycle
Rule 2900, Part III, (F)(4) (iv) Following a change in (iii)	Corporation category requiring a compliance course only	Corporation category requiring both compliance and professional development courses	▪ complete both courses during current cycle ▪ if CE participant cannot complete courses by end of cycle, Dealer Member may apply for hardship exemption

Repealed Current Rule	Proposed plain language rule				
					under subsection 2662 ▪ if change occurs in first year of cycle, Dealer Member must give the Corporation a written explanation for change. The Corporation must be satisfied that the changes were not done to avoid completing the CE program in the previous cycle.
Rule 2900, Part III, (F)(3)		(v) First year of cycle	Corporation category with no requirement	Corporation category requiring compliance course	▪ complete compliance course in current cycle
Rule 2900, Part III, (F)(3)		(vi) Second or third year of cycle	Corporation category with no requirement	Corporation category requiring compliance course	▪ complete compliance course in next cycle

2661. Hardship extension of time to complete the program requirements

Rule 2900, Part III, (N)(1)

(1) The Corporation may extend the time a CE participant has to complete any course beyond the three-year cycle if the CE participant is ill or for other similar reasons if:

(i) a director or executive of the CE participant's sponsoring Dealer Member:

(a) approves the extension;

(b) notifies the Corporation of the reason for the extension;

(c) states the new date of completion of the required course; and

(ii) the District Council decides the delay is justified.

Rule 2900, Part III, (N)(2)

(2) A CE participant who receives an extension as described in subsection (1) may not delay the start of the next three-year cycle.

Rule 2900, Part III, (N)(3)(a)-(b)

(3) The Corporation may exempt from the CE program a CE participant who cannot finish the continuing education requirements for more than one cycle if:

(i) a director or executive of the CE participant's sponsoring Dealer Member:

(a) approves the exemption;

(b) and provides a letter to the Corporation of the reason for the exemption,

(b) states that the leave is for an indefinite period; and

(ii) the District Council decides that the exemption is justified.

Repealed Current Rule	Proposed plain language rule
Rule 2900, Part III, (N)(3)(c)	(4) A CE participant who is granted a hardship extension who returns to the industry after an absence of: (i) three years or less must have the District Council establish the CE program requirements before starting any activity that needs approval. (ii) more than three years must meet the proficiency requirements in subsection 2602(1).
	Part E - Penalties for not completing the CE Program Requirements
	2662. Penalties for not completing the program requirements in a cycle
Rule 2900, Part III, (M)(1)	(1) If a CE participant fails to complete the course requirements within a cycle, the Corporation will impose a penalty of $500 a month on the sponsoring Dealer Member. The penalty will start at the beginning of the next cycle and continue until either the CE participant completes the course requirements or six months pass, whichever is first.
Rule 2900, Part III, (M)(3)	(2) If a CE participant does not complete the compliance course within a cycle, the Corporation will: (i) immediately impose a mandatory condition of close supervision on the CE participant's registration, and (ii) require the Dealer Member to keep the supervision reports until the CE participant completes the compliance course.
Rule 2900, Part III, (M)(2)	(3) If a CE participant does not complete the CE program requirements within six months of the end of the cycle, the Corporation will automatically suspend the CE participant's approval. The Corporation will reinstate the CE participant's approval if the CE participant completes the CE program requirements.
Rule 2900, Part III, (M)(4)	(4) Late fees paid in error will be refunded if: (i) The Corporation imposes a fee on a Dealer Member as described in subsection (1), and (ii) the Dealer Member continues paying the fee after the CE participant has completed the course requirements. The Corporation will refund any fees paid in error if the Dealer Member claims the refund within 120 days of the first day of the month the fee was paid in error.
	2663 – 2699. – Reserved.
	Rule 2700 – The National Registration Database
New	**2701. Introduction** (1) A Dealer Member must participate in the National Registration Database (NRD). (2) A Dealer Member must supervise NRD filings to ensure they are timely and accurate.
	2702. Dealer Member obligations for the National Registration Database
Rule 40.2	(1) A Dealer Member must: (i) enroll in NRD and pay the NRD administrator the enrolment fee calculated in the

<table>
<tr><th>Repealed Current Rule</th><th>Proposed plain language rule</th></tr>
<tr><td></td><td>way set by the Board;

(ii) enroll only one chief authorized firm representative (chief AFR) with the NRD administrator;

(iii) notify the NRD administrator of the appointment of a chief AFR within seven days of the appointment;

(iv) notify the NRD administrator of a change in name of the chief AFR within seven days of the change;

(v) maintain only one NRD account; and

(vi) notify the NRD administrator in NRD format of any change of an AFR who is not the chief AFR, within seven days of the change.

(vii) submit any change in the phone number, fax number or e-mail address of the chief AFR in NRD format within seven days of the change.</td></tr>
<tr><td>Rules 40.3(1), 40.4, 40.5, 40.6, 40.7(1) and 40.8</td><td>(2)

(i) A Dealer Member must make the following submissions using the NRD on the NRD form specified:

<table>
<tr><th>Type of submission</th><th>Form and time for submission</th></tr>
<tr><td>(a) an application for approval of an individual under any Corporation requirement</td><td>Form 33-109F4 Registration of Individuals and
Review of Permitted Individuals [LINK]</td></tr>
<tr><td>(b) a notification of any change in the type of business which an approved person will conduct</td><td>33-109F2 Change or Surrender of Individual
Categories [LINK}</td></tr>
<tr><td>(c) (I) an application for different or additional approval under Corporation requirements for any approved person;

(II) a surrender of existing approval</td><td>33-109F2 Change or Surrender of Individual
Categories [LINK]</td></tr>
<tr><td>(d) a report of a change of information regarding an approved person under Rule 8400</td><td>33-109F5 Change of Registration Information [LINK], within seven days of the change</td></tr>
</table>
</td></tr>
</table>

Repealed Current Rule	Proposed plain language rule

(e) an application, made with an application for approval, for an exemption from a proficiency requirement of section 2602 for an approved person or applicant for approval	"Apply for an Exemption" function on NRD
(f) a notification of a Dealer Member terminating ▪ the employment of, or ▪ principal or agent relationship with an approved person	33-109F1, Notice of Termination of Registered Individuals and Permitted Individuals [LINK]. ▪ Items 1 through 4 of this form must be filed within seven days of the cessation date. ▪ Item 5 must be filed within 30 days unless the reason for termination under item 4 was death or retirement of the individual or completion of a temporary employment contract.
(g) a notification of a business location opening or closing under section 2152	33-109F3 Business locations other than head office [LINK] within seven days of the opening or closing
(h) a notification of change of address, type of location or supervision of any business location	33-109F3 Business locations other than head office [LINK] within seven days of the change
(i) Notification of reinstatement of individuals	33-109F7 Reinstatement of Registered Individuals and Permitted Individuals [LINK] within 90 days of the cessation date from the previous sponsoring firm

(ii) Before filing a notice of change of business type under sub-clause (2)(i)(b) above, a Dealer Member must notify the Corporation through NRD that either:

(a) the approved person has completed the necessary proficiency requirements under section 2602(1); or

(b) the approved person has been granted an exemption from the proficiency requirements under Rule 8100 or sections 2603 or 2604.

2703. Temporary hardship exemption

Rules 40.11(1) and (2)

(1) A Dealer Member that cannot file a document in NRD format within the time required under subsection 2702(2) because of unexpected technical problems must submit the document outside of NRD within seven days of the required filing date.

Rule 40.11(3)

(2) When submitting outside of NRD under subsection 2703(1), the Dealer Member must include the following text at the top of the first page of the submission in capital letters:

Repealed Current Rule	Proposed plain language rule
	IN ACCORDANCE WITH IIROC RULE 2703 AND SECTION 5 OF NATIONAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD), WE ARE SUBMITTING THIS [SPECIFY DOCUMENT] OUTSIDE OF NRD UNDER A TEMPORARY HARDSHIP EXEMPTION.
Rule 40.11(4)	(3) As soon as practicable, but within fourteen days after the unexpected technical problems have been fixed, a Dealer Member must resubmit in NRD format the information filed outside of NRD under subsection (1).
	2704. Due diligence and record keeping
Rule 40.12(1)	(1) A Dealer Member must make reasonable efforts to ensure that the information submitted through the NRD is true and complete.
Rule 40.12(2)	(2) A Dealer Member must keep all documents used to meet its obligation under subsection (1) for seven years after the individual ceases to be an approved person of the Dealer Member.
Rule 40.12(3)	(3) A Dealer Member must record the NRD submission number on any document kept under subsection (2).
Rule 40.12(4)	(4) For approved individuals, a Dealer Member must obtain, within 60 days, a copy of the most recent Form 33-109F1 issued in respect of the individual by the former sponsoring Dealer Member.
	2705. Fees
Rule 40.9(1)	(1) A Dealer Member must pay the NRD administrator the annual user fee set by the Corporation.
Rules 40.3(2) and (3), 40.7(4) and (5), 40.9(1) and 40.9(2)	(2) (i) A Dealer Member making any NRD submission under section 2702 must pay the prescribed fees for the submission, together with the application fees paid to the NRD administrator for the use of the NRD for its submission. (ii) A Dealer Member must pay any prescribed fees for failure to file any document within the time specified, (iii) A Dealer Member is required to pay all fees payable under this Rule through its NRD account by pre-authorized electronic debit.
Rule 40.7(2)	**2706. Termination** (1) Approval of an individual will be suspended by the Corporation if (i) the approved person ceases to be employed by a Dealer Member; or (ii) the approved agency relationship with a Dealer Member is terminated.
Rule 40.7(3)	**2707. Reinstatement of suspended approved persons** (1) The approval of an approved person suspended under section 2706(1) will be reinstated by the Corporation on the date the individual submits a completed Form 33-109F7 if: (i) Form 33-109F7 is submitted within 90 days of the cessation date (ii) There has been no change to the information previously submitted in: respect of regulatory, criminal, civil and financial disclosure (items 13, 14, 15 & 16 of Form 33-109F4 respectively); (iii) The individual's employment or agency relationship with the former sponsoring Dealer Member was not terminated due to allegations of:

Repealed Current Rule	Proposed plain language rule
	(a) criminal activity; (b) a breach of securities law: or (c) a breach of the rules of the Corporation; (iv) the individual is seeking reinstatement in the same category in which the individual was approved on the cessation date. **2708. – 2999. – Reserved.**

Attachment B

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

TEXT OF THE CURRENT RELEVANT PROVISIONS OF
DEALER MEMBER RULES 4, 5, 6, 7, 8, 17, 18, 22, 29, 31, 35, 38, 39, 40, 100, 500, 600, 700, 1300, 2400, 2900, AND 3200

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 Members.

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 Member 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.

RULE 5
OWNERSHIP OF DEALER MEMBER SECURITIES

Dealer Member Debt, Restrictive and Limited Participation Securities

5.1. A Dealer Member or holding company of a Dealer Member which proposes to borrow money on terms whereby the principal amount matures or is renewable or extendible at the option of the Dealer Member or the holding company to a date more than 12 months after the borrowing shall provide the Corporation with notice of the terms of the borrowing prior to the making of the borrowing.

5.2.

(1) No Dealer Member or holding company of a Dealer Member shall issue without the prior approval of the Corporation:

(a) A security representing subordinated debt;

(b) A restrictive security; or

(c) A limited participation security.

(2) No Dealer Member or holding company of a Dealer Member shall enter into any agreement to issue subordinated debt in the future without prior approval of the Corporation.

5.2A.

(1) A Dealer Member who has received Corporation approval for the issuance of subordinated debt pursuant to Rule 5.2, shall immediately notify the Corporation of any change in the amount of the funds advanced under the resulting subordinated debt agreement.

(2) A Dealer Member shall require approval of the Corporation prior to any repayment of funds owed pursuant to a subordinated debt agreement.

Changes in Dealer Member Ownership

5.3. Prior written notice shall be given to the Corporation of the issue or transfer of any securities, or a legal or beneficial interest therein, of a Dealer Member or of a holding company of a Dealer Member corporation, other than securities of a class in respect of which there is public ownership pursuant to a distribution thereof in accordance with Rule 5.9(a), (b) or (d), and other than in respect of the issue or transfer of indebtedness of a Dealer Member corporation or holding company of a Dealer Member corporation that is not subordinated debt, a restrictive security or a limited participation security.

5.4.

(1) Dealer Members shall seek District Council approval of any transaction that:

(a) Permits an investor, alone or together with its associates and affiliates, to own a significant equity interest in the Dealer Member; or

(b) Permits an investor, alone or together with its associates and affiliates, to own special warrants or any other securities that are convertible, at any time in the future, to a significant equity interest in the Dealer Member.

(2) For the purposes of this Rule 5.4, a significant equity interest means the holding of:

(a) Voting securities carrying 10 percent or more of the votes carried by all voting securities of the Dealer Member or of a holding company of a Dealer Member;

(b) 10 percent or more of the outstanding participating securities of the Dealer Member or of a holding company of a Dealer Member; or

(c) An interest of 10 percent or more of the total equity in the Dealer Member.

(3) Notwithstanding paragraph (1), the legal representatives of a deceased person who had been approved by the applicable District Council as the owner of a significant equity interest may continue as such registered holder or to hold such interest for such period as the applicable District Council may permit.

5.5. No Dealer Member or holding company of a Dealer Member corporation shall own, directly or indirectly, any securities issued by another Dealer Member or holding company of a Dealer Member corporation without the prior consent of the applicable District Council, except for the ownership of securities in connection with the ordinary course of the activities of the securities business.

5.6. No industry investor shall own securities issued by a Dealer Member or a holding company of a Dealer Member corporation other than the Dealer Member in respect of which the investor is approved or a holding company of such Dealer Member corporation, unless:

(a) those securities are of a class in respect of which there is public ownership pursuant to a distribution thereof, in accordance with Rule 5.9(a), (b) or (d), or

(b) the Dealer Member is an affiliate or a related company of the Dealer Member in respect of which the investor is approved; or

(c)

(i) the investment does not represent a significant equity interest,

(ii) the Corporation has been notified of the relationship,

(iii) the Corporation has been provided with evidence that the other member's recognized self-regulatory organization does not object to the relationship and

(iv) the Dealer Member, in respect of which the industry investor is approved, has been notified of the investment and does not object to the investment.

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

Public Dealer Member Ownership

5.7. A Dealer Member corporation or the holding company of a Dealer Member corporation may permit public ownership of its securities (other than its restrictive securities) but only with the prior approval of the applicable District Council which approval shall be given only if the applicable District Council is satisfied that the Rules of the Corporation including this Rule 5 are being, and will continue to be, complied with. In considering the application for approval, the applicable District Council may review an opinion of legal counsel and such other evidence as it considers appropriate. In granting its approval hereunder, the applicable District Council may impose such conditions and require such undertakings as it considers appropriate from any person to ensure continued compliance with the Rules of the Corporation.

5.8. Any Dealer Member or holding company of a Dealer Member corporation which has permitted public ownership of its securities shall, regardless of the statute under which it is incorporated, appoint and maintain an audit committee in accordance with the provisions of the *Canada Business Corporations Act* which relate to audit committees. A Dealer Member or holding company of a Dealer Member may be exempted from the requirements of this Rule 5.8 by the applicable District Council in its discretion and on such terms and conditions as the Council may determine.

Public Distribution of Dealer Members' Securities

5.9. A Dealer Member corporation or a holding company of a Dealer Member corporation that intends to permit public ownership of its securities may effect the distribution thereof:

(a) Through a qualified independent underwriter on a firm underwriting basis in accordance with usual commercial practice, with a prospectus or equivalent document containing the information required by applicable securities legislation and, subject to the concluding portion of Rule 5.9(b), the Dealer Member corporation may participate as a member of the selling group in a distribution under this Rule 5.9(a);

(b) Through a qualified independent underwriter on an agency or best efforts basis, or through the issuing corporation (or, where the issuing corporation is a holding company, through its subsidiary Dealer Member) effecting the distribution, with a prospectus or equivalent document containing the information required by provincial securities legislation and with Rule 5.10 being also applicable in the circumstances thereby contemplated; a Dealer Member corporation or a holding company shall be deemed to be effecting the distribution of its own securities if more than 25 per cent of the distribution is made by the Dealer Member corporation or its subsidiary Dealer Member corporation to customers of the corporation or the subsidiary Dealer Member corporation;

(c) By private sale, but the provisions of Rule 5.11 shall apply in the circumstances thereby contemplated; or

(d) By some other procedure permissible under Rule 5.12.

5.10. A Dealer Member corporation or holding company of a Dealer Member corporation underwriting a public distribution of its own voting or participating securities pursuant to Rule 5.9(b), or effecting such a distribution on an agency or best efforts basis through another underwriter, shall provide as part of the prospectus or equivalent document hereby required, summaries of not less than two separate valuations of its securities prepared by independent underwriters or chartered accountants qualified to prepare the same (and participation in the distribution shall not disqualify an underwriter from preparing a valuation), but this requirement shall not apply if securities with identical attributes to those being distributed have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations for not less than six months prior to the date the distribution commences.

5.11. Where voting or participating securities are distributed by way of private sale under Rule 5.9(c) to investors whose ownership thereof is permissible only by reason of the provisions of this Rule 5 concerning public ownership of securities, the distribution shall be permitted only if arrangements satisfactory to the applicable District Council (which arrangements shall include the execution of an agreement by each investor limiting his resale of the securities) are made to preclude the development of a public trading market in the securities unless and until:

(a) The issuing Dealer Member corporation or the holding company of a Dealer Member corporation has published information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information shall include valuations as described in Rule 5.10 unless securities of the Dealer Member or holding company, as the case may be, with identical attributes, have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations, for not less than six months prior to the date of publication of the information;

(b) From the date of publication of the information in (a) and until the date the public trading market develops, the Dealer Member corporation or holding company has complied with the timely disclosure requirements applicable to listed corporations; and

(c) After the date the public trading market develops, the Dealer Member corporation or holding company is required by law to comply with the timely disclosure requirements applicable to listed corporations.

5.12. A Dealer Member corporation or a holding company of a Dealer Member corporation may distribute its securities through a transaction such as a take-over bid or an amalgamation that will create a public trading market in such securities, but only if:

(a) The Dealer Member corporation or holding company publishes information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information shall be published in accordance with arrangements satisfactory to the applicable District Council as to:

(i) The stage in the transaction at which prospectus-type information will be provided;

(ii) The securities commission that will be responsible for reviewing and commenting on the information;

(iii) The persons to whom the prospectus or similar document will be distributed;

(iv) The rescission or withdrawal rights to be made available if the document contains a material inaccuracy; and

(b) If the securities are participating or voting securities, the information referred to in Rule 5.12(a) shall include valuations as described in Rule 5.10 unless the applicable District Council concludes that such information is not necessary having regard to circumstances such as, for example, that the terms of the transaction were arrived at through arm's length negotiations;

But the requirements of (a) and (b) shall not apply if securities of the Dealer Member corporation or holding company, with identical attributes, have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations for not less than six months prior to the date of the transaction.

5.13. The provisions of Rules 5.9 to 5.12, inclusive, apply, with necessary changes, to a secondary distribution of securities issued by a Dealer Member corporation or a holding company of a Dealer Member corporation if the securities are derived from a control position or the distribution will result in the creation of a public trading market.

Dealer Member Advisory and Related Activities

5.14. No Dealer Member shall permit the acquisition by any customer account over which the Dealer Member has discretionary authority of securities issued by the Dealer Member or the holding company of the Dealer Member. This prohibition applies notwithstanding any consent obtained from the customer and whether the securities are in the course of distribution or are being traded in the secondary market.

5.15. Solicitations by a Dealer Member corporation as to transactions in securities issued by it or a holding company of the Dealer Member corporation,

(a) Are, subject to Rule 5.14, permitted in the course of a distribution made with a prospectus or other document containing disclosure as required by the relevant securities legislation and this Rule 5 and in making private sales that qualify as a private placement under the relevant securities legislation;

(b) Are prohibited in the course of a distribution not described in Rule 5.15(a) and are prohibited as to secondary market trading, but nothing herein prohibits a Dealer Member from carrying out an unsolicited order for such securities;

And, for greater certainty, nothing herein prevents a Dealer Member corporation from accepting securities issued by it or a holding company of the Dealer Member corporation as securities for a margin account.

5.16. A Dealer Member corporation shall not issue research reports or opinion letters as to participating or voting securities issued by it or a holding company of the Dealer Member corporation.

5.16A. A Dealer Member or a related company of a Dealer Member or a partner, director, officer, employee or associate of either of them shall be deemed not to have breached any provision of Rules 5.9 to 5.16, inclusive, 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.

Approvals

5.17. Application for any approval or exemption required by this Rule 5 shall be made to the Corporation in such form as the Board of Directors may from time to time prescribe and giving such other information as may be required by the Rules. The Corporation shall forthwith forward an application for approval or exemption to the Board of Directors or the applicable District Council as this Rule 5 may require. The applicant for approval or exemption may be required to pay such fees as the Board of Directors may from time to time direct. A person approved or granted an exemption for the purpose of this Rule 5 and the Dealer Member or holding company in respect of which he is approved or exempted shall report in writing to the Corporation within ten days of the event any change in the information submitted pursuant to the application for approval or exemption including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to such person.

5.18. The Board of Directors or the applicable District Council, as the case may be, shall have power in its discretion to approve or refuse an application for approval or exemption or to withdraw any approval or exemption theretofore granted.

RULE 6
DEALER MEMBER HOLDING COMPANIES, RELATED COMPANIES AND DIVERSIFICATION

Holding Companies

6.1. A holding company may not be the holding company of more than one Dealer Member corporation, except in the following circumstances:

(i) A holding company may be the holding company of more than one Dealer Member corporation if it owns all of the voting and all of the participating securities of each of them, or

(ii) The prior consent of the applicable District Council is obtained.

6.2. Each Dealer Member agrees to cause each of its holding companies carrying on business in Canada to comply with the Rules pertaining to a holding company of a Dealer Member corporation and with the requirements of the Board of Directors, applicable District Council, or any other relevant body of the Corporation pertaining to a holding company of a Dealer Member corporation. A Dealer Member shall be deemed not to be in compliance with the Rules unless it has provided the applicable District Council with evidence that each of its holding companies carrying on business in Canada is legally bound to comply with the Rules or requirements pertaining to such holding company.

Related Companies

6.3. No Dealer Member or partner, director, officer, investor or employee of a Dealer Member shall form, maintain or have any interest in a related company or associate without the prior approval of the applicable District Council.

6.4. Each related company of a Dealer Member shall comply with all of the Rules and Rulings of the Corporation except to the extent that any individual or class of Dealer Member or related company shall be exempted from such compliance by the Board of Directors. The Board of Directors or the relevant District Council, as the case may be, shall have the same rights and powers under the Rules of the Corporation with respect to related companies of a Dealer Member as such Board or Councils respectively has or have with respect to a Dealer Member.

6.5. A Dealer Member may, with the prior approval of the applicable District Council, have a wholly owned subsidiary whose principal business is that of a broker or dealer in securities or an adviser respecting securities.

Financial Assistance

6.6.

(1) Each Dealer Member shall be responsible for and shall guarantee the obligations to clients incurred by each of its related companies, and each related company shall be responsible for and shall guarantee the obligations of the Dealer Member to its clients on the following basis:

(a) Where a Dealer Member holds an ownership interest in a related company, the Dealer Member shall provide a guarantee in an amount equal to 100% of the Dealer Member's capital employed;

(b) Where a Dealer Member holds an ownership interest in a related company, the related company shall provide a guarantee to the Dealer Member in an amount equal to the percentage of the related company's capital employed that corresponds to the percentage of ownership interest the Dealer Member holds in the related company; and

(c) Where two related companies are related because of a common ownership interest held by the same person(s), each related company shall provide a guarantee of the other in an amount equal to the percentage of its capital employed that corresponds to the percentage ownership interest held by the person(s) who holds the common ownership interest.

(2) A guarantee shall not be required in accordance with paragraph (1) where the Board of Directors in its discretion determines that a guarantee is not appropriate.

(3) A guarantee shall be required in excess of the amount prescribed in paragraph (1) where the Board of Directors in its discretion determines that such a guarantee is appropriate.

(4) A guarantee required pursuant to this Rule 6.6 shall be in the form prescribed from time to time by the Board of Directors.

Diversification

6.7. No Dealer Member or related company shall carry on any business other than securities related activities without the prior approval of the applicable District Council but a Dealer Member or holding company of a Dealer Member may own an investment in a corporation (other than the Dealer Member) that carries on activities other than securities related activities and in respect of which the Dealer Member is not responsible for any of its liabilities. Each Dealer Member and holding company of a Dealer Member shall give notice in writing to the Corporation prior to acquiring any investment in such a corporation.

Notwithstanding the provisions of this Rule 6.7, a mutual fund dealer which is a related company in respect of a Dealer Member, and the directors, officers, employees or representatives of such mutual fund dealer, may deal in or sell contracts of life insurance issued by an insurer licensed or registered pursuant to applicable Canadian federal or provincial legislation.

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, 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 equivalent positions at related or affiliated securities dealers or affiliated financial institutions;

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 of a Dealer Member, 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 Executives 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) Occupy equivalent positions at 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 of a Dealer Member, 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 Executives 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 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 pursuant to Rule 20.

RULE 8
DEALER MEMBER RESIGNATIONS, AMALGAMATIONS, ETC.

8.1. Repealed.

8.2. Dealer Member which tenders its resignation shall in its letter of resignation state its reasons for resigning and shall file with the Secretary one of:

(a) A balance sheet of the Dealer Member reported upon by the Dealer Member's Auditor without qualification as of such date as the Corporation may require which balance sheet shall indicate that the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

(b) A report from the Dealer Member's Auditor without qualification that in his or her opinion the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any;

And a report from the Dealer Member's Auditor that clients' free securities are properly segregated and earmarked. If the financial information required by (a) or (b) above is not filed with the letter of resignation the Dealer Member shall indicate in the letter of resignation the date by which such financial information shall be filed.

8.3. Notwithstanding the provisions of Rule 8.2 if the whole or a substantial part of the business and assets of a Dealer Member which is resigning (the "resigning Dealer Member") is being acquired by another Dealer Member (the "remaining Dealer Member"), the resigning Dealer Member may with the approval of the Board of Directors, file (in lieu of the documents required by Rule 8.2(a) or (b)), a letter signed by the remaining Dealer Member under which the remaining Dealer Member accepts responsibility for all outstanding liabilities of the resigning Dealer Member and certifies that the remaining Dealer Member has sufficient liquid assets to meet all liabilities, other than subordinated loans, if any, of both the remaining Dealer Member and the resigning Dealer Member.

8.3A. Notwithstanding the provisions of Rule 8.2 and 8.3, if two or more Dealer Members are amalgamated and continue as one Dealer Member (the "continuing Dealer Member"), the continuing Dealer Member may with the approval of the Board of Directors file (in lieu of the documents required by Rule 8.2(a) or (b)) an acknowledgement and undertaking by the continuing Dealer Member that such Dealer Member accepts responsibility for outstanding fees and all liabilities (outstanding, incurred, contingent or otherwise) of the two or more Dealer Members which are amalgamating and certifies that the continuing Dealer Member has sufficient liquid assets to meet all such liabilities (other than subordinated loans, if any). Unless otherwise determined by the Board of Directors, two or more Dealer Members which amalgamate and continue as one Dealer Member shall not be considered to be a new Dealer Member or a new entity which must re-apply for Membership. Those Dealer Members not continuing due to Amalgamation shall surrender their Membership in the Corporation as part of the amalgamation process. A "surrender" of Membership shall be considered a resignation for purposes of Rule 8.7.

8.3AA Notwithstanding the provisions of Rule 8.2, if a Dealer Member and a non-Dealer Member are amalgamated and the Dealer Member wishes the continuing entity to continue as a Dealer Member, the Dealer Member shall not be required to comply with the provisions of Rule 8.2 if both the Dealer Member and the non-Dealer Member have provided the Corporation with all such financial information as it may require and the Corporation is satisfied with such financial information.

8.3B. Repealed.

8.4. Notice of such letter of resignation shall forthwith be given by the Secretary to the Board of Directors, the applicable District Council, all other Dealer Members, the securities commissions of all of the provinces of Canada and the Bank of Canada.

8.5. Unless the Board of Directors, in its discretion otherwise declares, a resignation shall take effect as of the close of business (5:00 p.m. head office local time), on the date the Secretary receives from the Dealer Member's Auditor a written statement certifying that, in their opinion, based on the balance sheet and/or reports referred to in Rule 8.2, the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any, and if, to the knowledge of the Secretary after due enquiry, the Dealer Member is not indebted to the Corporation and no complaint against the Dealer Member or any investigation of the affairs of the Dealer Member is pending.

8.6. When a Dealer Member signifies in writing its intention to resign, the Secretary shall so advise the Dealer Member resigning and all other Dealer Members, the Board of Directors, the securities commissions of all of the provinces of Canada, the Bank of Canada, and such other persons or bodies as the Secretary may decide through the issuance of a Bulletin within one week of such notification. Similarly, the same shall occur when the resignation of a Dealer Member becomes effective.

8.7. A Dealer Member resigning from the Corporation shall make full payment of its Annual Fees for the fiscal year in which such Dealer Member tenders its resignation. A Dealer Member resigning from the Corporation shall not be entitled to a refund of any part of the Annual Fee for the fiscal year in which its resignation becomes effective unless such resignation is complete in all respects by June 30. For the period April 1 to June 30 the resigning Dealer Member will be subject to monthly pro rata annual fees; part months will be considered as full months. For purposes of this provision, the resignation of a Dealer Member shall be considered effective upon receipt by the Corporation of all fees, and all required documentation, including the results of a termination audit.

8.8. If a Dealer Member has ceased to carry on business as a securities dealer or its business has been acquired by an individual, firm or corporation who or which, as the case may be, is not a Dealer Member of the Corporation, the applicable District Council may, unless the Dealer Member has voluntarily resigned in accordance with this Rule 8, terminate the Membership of the Dealer Member after the Dealer Member has been given the opportunity for a hearing in accordance with the provisions of Rule 20.11. A former Dealer Member whose Membership has been terminated pursuant to the provisions of this Rule 8.8 shall cease to be entitled to exercise any of the rights and privileges of Membership but shall remain liable to the Corporation for all amounts due to the Corporation from the former Dealer Member.

RULE 17
DEALER MEMBER MINIMUM CAPITAL, CONDUCT OF BUSINESS AND INSURANCE

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17.12. No Dealer Member shall on less than 20 days' prior notice (i) to the Corporation, change its name, effect or permit any change in its constitution affecting voting rights, take any steps to dissolve, wind-up, surrender its charter or liquidate or dispose of all or substantially all of its assets, (ii) to the Corporation, effect or permit any alteration in its capital structure including the allotment, issue, repurchase, redemption, cancellation, subdivision or consolidation of any shares in its capital. In either case, the Dealer Member shall not proceed with such action if within such 20-day period it is advised that the matter is to be submitted to the applicable District Council for approval. The applicable District Council may review any matter so submitted to it and either approve or disapprove of the proposed action if it considers that the action may result in the Dealer Member being unable to comply with the Rules of the Corporation.

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17.14. A Dealer Member engaged in trading in any securities or commodity futures contracts or options listed on or issued by a recognized stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization, as the case may be, in respect of which the Rules or any Rulings do not prescribe specific standards or requirements, shall comply with the provisions of the relevant bylaws and regulations of such stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization in effect from time to time to the extent not inconsistent with the Rules. For the purposes of this Rule 17.14, the Board of Directors shall, from time to time, designate recognized stock exchanges, futures exchanges, clearing or service corporations, or other listing or issuing organizations.

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 (b) unless the Dealer Member has notified the Corporation:

(i) that the person will conduct the type of business; and

(ii) that the person has successfully 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.

(d) The approval of a Registered Representative or Investment Representative is suspended automatically if the person fails to satisfy the requirement in paragraph (a) until the person has satisfied the requirements and notified the Corporation.

18.8. Repealed.

18.9. 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 that is a member of a recognized self-regulatory organization unless

(1) Such dealer 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 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.

RULE 22
USE OF NAME OR LOGO: LIABILITIES: CLAIMS

22.1. No Dealer Member shall use the name or logo of the Corporation on letterheads or in any circulars or other advertising or publicity matter, except in accordance with Rule 700.1. The Board of Directors may determine terms or conditions regarding a Dealer Member's use of the name or logo of the Corporation. The Board of Directors may at its sole discretion require a Dealer Member to cease using the name or logo of the Corporation. Any use by a Dealer Member of the name or logo of the Corporation name shall not have the effect of granting to the Dealer Member any proprietary interest in the Corporation's name or logo.

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RULE 29
BUSINESS CONDUCT

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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.

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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.

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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 Transactions; 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 Transaction" 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.

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RULE 31
INACTIVE STATUS

31.1. A Dealer Member wishing to be temporarily transferred to the category of Dealer Member with Inactive Status shall apply to the Board of Directors in writing, in care of the Corporation, giving reasons for its request.

31.2. The Board of Directors may, having received an application referred to in Rule 31.1, transfer the Dealer Member to Inactive Status for such fixed period of time and subject to such terms and conditions as the Board of Directors may, in its sole discretion, deem advisable.

31.3. Notice of the transfer of a Dealer Member to Inactive Status shall forthwith be given by the Corporation to the Dealer Member transferring, all other Dealer Members and to such other persons as the Board of Directors may direct.

31.4. Unless a Dealer Member with Inactive Status has applied to the Board of Directors in writing, in care of the Corporation, at least 30 days prior to the expiration of the period of time established by the Board of Directors pursuant to Rule 31.2, for an extension of the time during which such Dealer Member shall remain a Dealer Member with Inactive Status and the Board of Directors has approved an extension for such further period and subject to such terms and conditions as the Board of Directors may, in its sole discretion, deem advisable, the Dealer Member with Inactive Status shall automatically resume the status of a Dealer Member at the expiration of the period of time originally established by the Board of Directors.

31.5. Upon the expiration of the extended period of time fixed by the Board of Directors pursuant to Rule 31.4 the Dealer Member with Inactive Status shall resume the status of a Dealer Member.

RULE 35
INTRODUCING BROKER/CARRYING BROKER ARRANGEMENTS

35.1. **General**

(a) For the purposes of this Rule 35:

(i) "Carrying Broker" means the Dealer Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that carries client accounts, which at a minimum includes the clearing and settlement of trades, the maintenance of books and records of client transactions and the custody of some or all client funds and securities;

(ii) "Introducing Broker" means the Dealer Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that introduces client accounts to the carrying broker;

(iii) "Canadian Financial Institution" means a Schedule I or Schedule II Bank pursuant to the Bank Act (Canada), an insurance company governed by federal or provincial insurance legislation and a loan or trust company governed by federal or provincial loan and trust company legislation.

(b) A Dealer Member may, with the approval of the applicable District Council and if otherwise in compliance with the terms of this Rule and any requirements of the regulatory authority in the jurisdiction of the introducing broker, carry accounts of clients introduced to it by:

(i) Another Dealer Member; or

(ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.

(c) A Dealer Member shall not introduce accounts to any person other than:

(i) Another Dealer Member; or

(ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.

(d) For the purposes of this Rule 35, arrangements whereby employees of a Dealer Member's affiliated Canadian financial institution handle securities clearance and settlement, maintain records and perform operational functions on behalf of the Dealer Member shall not be considered to be introducing/carrying arrangements for the purposes of this Rule 35, provided that pursuant to the arrangement, the employees of the Dealer Member's affiliated Canadian financial institution handle custodial functions on a segregated basis in accordance with the segregation provisions of the Rule.

(e) Except as otherwise provided herein, an introducing broker may introduce clients to only one carrying broker. An introducing broker that introduces clients to a carrying broker shall enter into a written contract with the carrying broker to which it introduces clients defining, to an extent determined from time to time by the Corporation the rights and obligations between them.

(i) Dealer Members who enter into an introducing broker/carrying broker arrangement must enter into a written contract in a form prescribed from time to time by the Corporation and each such introducing broker/carrying broker arrangement shall come into effect only after it is approved by the Corporation;

(ii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement cannot enter into more than one introducing broker/carrying broker arrangement other than one additional introducing broker/carrying broker arrangement exclusively for trading in futures contracts and options;

(iii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement shall not fully service any part of its securities-related activities, other than fully servicing trading in futures contracts and options;

(iv) An introducing broker that is party to an Introducing Type 1 Arrangement shall carry out trade settlement and custody of securities related to its principal trading through the facilities of the carrying broker; and

(v) An introducing broker that is party to an Introducing Type 3 or Type 4 Arrangement may enter into more than one introducing broker/carrying broker arrangement and may also fully service part of its securities-related activities.

(f) Each introducing or carrying broker that is a party to an introducing broker/carrying broker arrangement and that is not a Dealer Member, and each of such introducing or carrying brokers' partners, directors, officers, shareholders and employees, shall comply with all Rules, Rulings and Forms of the Corporation.

(g) Each introducing broker/carrying broker arrangement must be classified as an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement and must meet the requirements for such arrangement as set out in this Rule 35.

(h) A Dealer Member may apply for an exemption from the requirements of Rule 35 in accordance with Rule 20.25.

35.2. **Introducing Type 1 Arrangement**

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 1 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 1 Arrangement must maintain at all times minimum capital of $75,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

(i) The carrying broker shall calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation.

(ii) The introducing broker shall calculate and maintain the margin for any principal business carried on its behalf by the carrying broker in accordance with the relevant margin requirements of the Corporation. The carrying broker shall provide for margin for any principal business which it carries on behalf of the introducing broker to the extent of any equity deficiency in the introducing broker's trading account.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing broker. The carrying broker shall notify the introducing broker of all such offsets at the time of such offset. Upon receiving notification of such offset, the introducing broker shall reclassify that portion of the deposit which relates to the margin offset as a non-allowable asset on its Form 1 (Joint Regulatory Financial Questionnaire and Report) or Monthly Financial Report.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the carrying broker shall, and the introducing broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the carrying broker's Form 1 or Monthly Financial Report.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

The deposit provided by the introducing broker to the carrying broker shall be reported by the introducing broker as an allowable asset on its Form 1 or Monthly Financial Report. However, any portion of the deposit that may be impaired in value due to the carrying broker carrying client accounts with unsecured debit balances on behalf of the introducing broker shall be reclassified as a non-allowable asset on the Form 1 or Monthly Financial Report of the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of Form 1, the carrying broker shall include, and the introducing broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

(j) Insurance

(i) The introducing broker shall maintain minimum insurance of $200,000 for the purposes of Rule 400.4.

(ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

(iii) The carrying broker shall include all accounts introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

(iv) Both the introducing broker and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall obtain from the person opening the account an acknowledgement, in a form satisfactory to the Corporation, that the introducing broker has advised the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

The name and role of each of the introducing broker and the carrying broker shall be shown on all contracts, statements, correspondence and other documentation, and shall both be parties to any margin agreements and guarantee documentation.

(m) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered a client of the carrying broker for the purposes of complying with the Rules, Rulings and Forms of the Corporation.

(n) Responsibility for Compliance with all Non-Financial Requirements

Unless otherwise specified in this Rule 35.2, the introducing broker and the carrying broker shall be jointly and severally responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(o) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried by the carrying broker only with the approval of the carrying broker through the use of an account in the name of the carrying broker.

(p) Reporting of Principal Positions

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report the principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.3. **Introducing Type 2 Arrangement**

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 2 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 2 Arrangement must maintain at all times minimum capital of $250,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

(i) The carrying broker shall calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation.

(ii) The introducing broker shall calculate and maintain the margin for any principal business carried on its behalf by the carrying broker in accordance with the relevant margin requirements of the Corporation. The carrying broker shall provide for margin for any principal business which it carries on behalf of the introducing broker to the extent of any equity deficiency in the introducing broker's trading account.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing broker. The carrying broker shall notify the introducing broker of all such offsets at the time of such offset. Upon receiving notification of such offset, the introducing broker shall reclassify that portion of the deposit which relates to the margin offset as a non-allowable asset on its Form 1 (Joint Regulatory Financial Questionnaire and Report) or Monthly Financial Report.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the carrying broker shall, and the introducing broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the carrying broker's Form 1 or Monthly Financial Report.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

The deposit provided by the introducing broker to the carrying broker shall be reported by the introducing broker as an allowable asset on its Form 1 or Monthly Financial Report. However, any portion of the deposit that may be impaired in value due to the carrying broker carrying client accounts with unsecured debit balances on behalf of the introducing broker shall be reclassified as a non-allowable asset on the Form 1 or Monthly Financial Report of the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedule 9 and 12 of Form 1, the carrying broker shall include, and the introducing broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

(j) Insurance

(i) The introducing broker shall maintain minimum insurance of $500,000 for the purposes of Rule 400.4.

(ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

(iii) The carrying broker shall include all accounts introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

(iv) Both the introducing broker and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall obtain from the person opening the account an acknowledgement, in a form satisfactory to the Corporation, that the introducing broker has advised the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on any contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, all margin agreements and guarantee documentation shall be in the name of both the introducing broker and the carrying broker.

(m) Required Annual Disclosure

At least annually, the introducing broker shall provide written disclosure, in the form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

(n) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of complying with the Rules, Rulings and Forms.

(o) Responsibility for Compliance with all Non-Financial Requirements

Unless otherwise specified in this Rule 35.3, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(p) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

(q) Reporting of Principal Positions

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.4. **Introducing Type 3 Arrangement**

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 3 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 3 Arrangement must maintain at all times minimum capital of $250,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

The carrying broker shall calculate the margin for any principal and agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation and the introducing broker shall maintain such required margin.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker with the carrying broker.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the introducing broker shall, and the carrying broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the introducing broker's Form 1 or Monthly Financial Report. Notwithstanding the foregoing, the carrying broker shall be required to report one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker on its Form 1 or Monthly Financial Report. Such reporting of one balance shall not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Comfort Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of the Form 1, the introducing broker shall include, and the carrying broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

(j) Insurance

(i) The introducing broker shall maintain minimum insurance protection of $500,000 for the purposes of Rule 400.4.

(ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

(iii) The carrying broker and the introducing broker shall include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

(iv) Both the introducing and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall advise the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on all contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, all margin agreements and guarantee documentation shall be in the name of both the introducing broker and the carrying broker.

(m) Required Annual Disclosure

At least annually, the introducing broker shall provide written disclosure, in a form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

(n) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of the Rules, Rulings and Forms.

(o) Responsibility for Compliance with all Non-Financial Exchange Requirements

Unless otherwise specified in this Rule 35.4, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(p) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

(q) Reporting of Principal Positions

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.5. **Introducing Type 4 Arrangement**

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 4 Arrangement, the parties shall executive an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 4 Arrangement must maintain at all times minimum capital of $250,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

The carrying broker shall calculate the margin for any principal and agency business that the carrying broker carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation and the introducing broker shall maintain the required margin.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made with the carrying broker.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the introducing broker shall, and the carrying broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the introducing Broker's Form 1 or Monthly Financial Report. Notwithstanding the foregoing, the carrying broker shall be required to report one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker on its Form 1 or Monthly Financial Report. Such reporting of one balance shall not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the introducing broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of Form 1, the introducing broker shall include, and the carrying broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The introducing broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to the carrying broker by the introducing broker.

(j) Insurance

(i) The introducing broker shall maintain minimum insurance protection of $500,000 for the purposes of Rule 400.4.

(ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

(iii) The carrying broker and the introducing broker shall include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset measurement for minimum Financial Institution Bond coverage for Clauses (a) through (E) under Rule 400.2.

(iv) Both the introducing and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall advise the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on all contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, if any guarantee or margin agreement is solely between the client and the introducing broker, the agreement between the introducing broker and the carrying broker shall provide that the carrying broker may act to protect its interest in those securities for which it has not been paid by the introducing broker at the time that the introducing broker becomes insolvent, bankrupt or ceases to be a member of a self-regulatory organization that is a participating institution in the Canadian Investment Protection Fund.

(m) Required Annual Disclosure

At least annually, the introducing broker shall provide written disclosure, in the form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

(n) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of the Rules, Rulings and Forms.

(o) Responsibility for Compliance with all Non-Financial Exchange Requirements

Unless otherwise specified in this Rule 35.5, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(p) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

(q) Reporting of Principal Positions

The introducing broker shall report all principal positions carried by the carrying broker for the introducing broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.6. **Exemption for Arrangements Between a Dealer Member and a Foreign Affiliate**

Notwithstanding the provisions of this Rule 35, on the application of a Dealer Member pursuant to Rule 20.25, the applicable District Council may exempt any arrangements between a Dealer Member and a Dealer Member's foreign affiliate pursuant to which the Dealer Member carries accounts of the foreign affiliate or its clients from the requirements of this Rule 35 (other than Rule 35.6) provided that the arrangements meet the following criteria:

(a) Exemption Applicable to Affiliates of the Member

The exemption in this Rule 35.6 shall apply only to arrangements between a Dealer Member and a foreign affiliate of the Dealer Member. The Dealer Member shall provide the Exchange with evidence satisfactory to the Exchange of such relationship and of the details of the arrangement between them.

(b) Disclosure of Relationship to Clients of Foreign Affiliate

The Dealer Member shall ensure that the foreign affiliate, at least annually, provides written disclosure, in a form satisfactory to the Corporation, to each of the foreign affiliate's clients whose accounts are being carried by the Dealer Member, outlining the relationship between the Dealer Member and the Dealer Member's foreign affiliate and the relationship between the Dealer Member and the client of the foreign affiliate, and outlining any limitations on coverage of such client accounts by the Canadian Investor Protection Fund.

(c) Approval by the Requisite Authority in the Foreign Affiliate's Jurisdiction

The exemption provided in this Rule 35.6 shall only be granted by the applicable District Council upon receipt by the Corporation of written approval from the regulatory authority in the foreign affiliate's jurisdiction acknowledging and approving the arrangement between the Dealer Member and the Dealer Member's foreign affiliate.

(d) Responsibility for Compliance with Corporation Requirements

Foreign affiliates of a Dealer Member that have an arrangement with the Dealer Member as set out in this Rule 35.6, are not required to comply with the requirements of the Rules, Rulings and Forms of the Corporation solely as a result of such an arrangement.

(e) Reporting of Balances

In calculating its risk adjusted capital required under Rule 17.1 and Form 1, the Dealer Member shall report one balance owing to or from its foreign affiliate in relation to the accounts of the clients which the Dealer Member is carrying on behalf of its foreign affiliate on its Form 1 or Monthly Financial Report.

(f) Segregation of Securities

The Dealer Member shall be responsible for segregating all securities which it holds for clients of its foreign affiliate in accordance with the segregation requirements of the Rules.

(g) Insurance

The Dealer Member shall include all accounts introduced to it by its foreign affiliate in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

RULE 38
COMPLIANCE AND SUPERVISION

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38.3

(a) No person may act and no Dealer Member may permit a person to act as a Supervisor without the approval of the Corporation.

(b) Failure to satisfy sub-clause A.1(a)(ii)D 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 proficiency requirement and notified the Corporation.

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38.5 Ultimate Designated Person

(a) A Dealer Member must designate an individual who is approved under the Corporation's rules in the category of Ultimate Designated Person and who shall be responsible to the Corporation for the conduct of the firm and the supervision of its employees and to perform the functions described in paragraph (c).

(b) A Dealer Member must not designate an individual to act as the firm's Ultimate Designated Person unless the individual is:

(i) the chief executive officer or sole proprietor of the Dealer Member;

(ii) an Officer in charge of a division of the Dealer Member, if the activity that requires the firm to register under provincial or territorial securities laws occurs only within the division, or

(iii) an individual acting in a capacity similar to that of an Officer described in paragraph (a) or (b).

(c) The Ultimate Designated Person must

(i) supervise the activities of the Dealer Member that are directed towards ensuring compliance with the Corporation's Dealer Member rules and applicable securities law requirements by the firm and each individual acting on the Dealer Member's behalf, and

(ii) promote compliance by the Dealer Member, and individuals acting on its behalf, with the Corporation's Dealer Member rules and applicable securities laws.

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 designate an individual who is approved under the Corporation's rules in the category of Chief Compliance Officer to perform the functions described in paragraph (h).

(b) A Dealer Member must not designate an individual to act as the firm's Chief Compliance Officer unless the individual is one of the:

(i) an Officer or partner of the Dealer Member;

(ii) the sole proprietor of the Dealer Member.

(c) A Dealer Member may appoint the Ultimate Designated Person to act as the Chief Compliance Officer.

(d) 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.

(e) The Chief Compliance Officer must have the qualifications required under Rule 2900, Part I, section A.2B.

(f) Notwithstanding subsection (a), a Dealer Member may, with the Corporation's approval, designate 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 designate 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 (e) and is designated by the Corporation as Chief Compliance Officer; or

(ii) another qualified person is designated Chief Compliance Officer by the Dealer Member and is approved by the Corporation.

(g) The Corporation may grant to a Dealer Member an exemption from subsection (e) 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.

(h) The Chief Compliance Officer of a Dealer Member must do all of the following:

(i) establish and maintain policies and procedures for assessing compliance with the Rules and applicable securities laws by the Dealer Member and individuals acting on its behalf;

(ii) monitor and assess compliance by the Dealer Member, and individuals acting on its behalf, with the Rules and applicable securities laws;

(iii) report to the Ultimate Designated Person as soon as possible if the Chief Compliance Officer becomes aware of any circumstances indicating that the firm, or any individual acting on its behalf, may be in non-compliance with the Rules or applicable securities laws and

(A) the non-compliance creates a reasonable risk of harm to a client;

(B) the non-compliance creates a reasonable risk of harm to the capital markets; or

(C) the non-compliance is part of a pattern of non-compliance;

(iv) submit an annual report to the firm's board of directors, or individuals acting in a similar capacity for the firm, for the purposes of assessing compliance by the firm, and individuals acting on its behalf, with the Corporation's Dealer Member rules and applicable securities laws.

(i) The Chief Compliance Officer must have access to the Ultimate Designated Person and the board of directors (or equivalent) at such times as the Chief Compliance Officer may consider necessary or advisable in view of his or her responsibilities.

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RULE 39
PRINCIPAL AND AGENT

39.1. All Rules and Forms of the Corporation that refer to the term employee shall be deemed to refer as well to the term agent and all references to the term employment shall be deemed to refer as well to the term agency relationship, where applicable.

39.2. For the purposes of this Rule "securities related business" means any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or exchange contracts (including commodity futures contracts and commodity futures options) for the purposes of applicable securities legislation and exchange contracts legislation in any jurisdiction in Canada, including for greater certainty, sales pursuant to exemptions under that legislation.

39.3. The relationship between the Dealer Member and any person conducting securities related business on behalf of the Dealer Member may be that of:

a) an employee, or

b) an agent who is not an employee,
but may not be that of an incorporated salesperson.

39.4. Where a Dealer Member structures its business relationship with a person conducting securities related business on behalf of the Dealer Member using the principal / agent relationship contemplated in paragraph 39.3(b), the Dealer Member shall ensure that:

a) the business relationship is not contrary to the provisions of applicable legislation;

b) such agent is registered or licensed in the manner necessary, and is in good standing, under the applicable legislation in the province or territory where the agent proposes to act;

c) the Dealer Member shall be responsible for, and shall supervise the conduct of the agent in respect of the business including compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;

d) the Dealer Member shall be liable to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member's business as if the agent were an employee of the Dealer Member;

e) the agent is in compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;

f) the financial institution bond and insurance policies required to be maintained by the Dealer Member pursuant to Rule 17 and Rule 400 cover and relate to the conduct of the agent;

g) all books and records prepared and maintained by the agent in respect of the business of the Dealer Member shall be in accordance with Rule 17 and Rule 200 and all applicable legislation and shall be the property of the Dealer Member and shall be available for review by and delivery to the Dealer Member at all times and upon termination of the agreement referred to in paragraph (n);

h) the Dealer Member shall, at all times, have access to the premises of the agent where the agent conducts securities related business on behalf of the Dealer Member ;

i) in the event of a compliance issue arising in respect of a client or clients, the Dealer Member shall be entitled to take control of all future dealings with the client or clients;

j) all securities related business conducted by the agent is in the name of the Dealer Member subject to Rule 29.7A;

k) the agent shall not conduct securities related business with or on behalf of any person other than the Dealer Member;

l) if the agent is engaged in or carrying on any business activity other than business conducted on behalf of the Dealer Member, including any business or activity which is subject to regulation by any regulatory authority other than a securities commission, compliance with the terms of the agreement referred to in paragraph (n) shall be monitored and enforced directly by the Dealer Member and not by or through any other person including another employer or principal of the agent;

m) the terms or basis on which the agent may be engaged in or carry on any business or activity other than the business conducted on behalf of the Dealer Member shall not prevent or impair the ability of the Dealer Member or the Corporation from monitoring and enforcing compliance by the agent with the terms of the agreement referred to in paragraph (n) or the Rules of the Corporation; and

n) the Dealer Member and the agent shall enter into an agreement in writing which shall be provided to the Corporation prior to engaging in the principal/agent relationship and shall contain terms which include the provisions of paragraph (a) to (m), inclusive, and which do not include provisions which are inconsistent with paragraph (a) to (m), and shall provide the Corporation with a certificate by an officer or director of such Dealer Member and upon request by the Corporation shall provide an opinion of counsel confirming the agreement is in compliance with such provisions;

o) the Dealer Member and the Corporation shall enter into an agreement in writing prior to the Dealer Member engaging in the principal/agent relationship, which shall contain terms which include the provisions of paragraphs (c) and (d) that specifically relate to the Dealer Member's responsibility for and supervision of the agent to ensure the agent's compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject and relate to the Dealer Member's liability to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member's business as if the agent were an employee of the Dealer Member;

p) the agreements referred to in paragraphs (n) and (o) shall be in a form satisfactory to the Corporation;

q) the Dealer Member and the agent shall be responsible for ensuring all arrangements between them comply with applicable tax laws and for providing satisfactory evidence to the Corporation of such compliance.

APPENDIX A
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
PROVISIONS FOR AGENCY AGREEMENTS
IN CONNECTION WITH RULE 39.4

1. Definitions

(a) "Agent" means [•].

(b) "Applicable Laws" means all laws, legislation and regulations of any governmental entity that are applicable to the Dealer Member and all by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority that are applicable to the Dealer Member, including, without limitation, the Rules.

(c) "Client" means a person who has engaged the services of the Dealer Member through the Agent.

(d) "Corporation" means Investment Industry Regulatory Organization of Canada.

(e) " Rules" means the Rules of the Corporation as each may be amended, supplemented, restated or replaced from time to time.

(f) "Dealer Member" means [•], together with its successors and permitted assigns.

(g) "Dealer Member Business" means any business activity of the Agent conducted on behalf of the Dealer Member.

(h) "Non-Dealer Member Business" means any business activity of the Agent that is not Dealer Member Business.

(i) "Records" means books, records, client files, client information and all other documentation of the Agent relating in any way to Dealer Member Business, whether in written or electronic form.

(j) "Securities Related Business" has the meaning specified in Rule 39.2.

2. Confirmation of Supremacy of Rule 39.4

(a) The Agent and the Dealer Member acknowledge and confirm that this Agreement is intended to be made and be effective in compliance with the Rules, including without limitation Rule 39.4. In the event of any inconsistency between the terms of this Agreement and the terms of Rule 39.4, the terms of Rule 39.4 shall prevail. Any such inconsistent terms of this Agreement shall be deemed to be severable and deleted with the intent that this Agreement shall be construed, complied with by the Agent and the Dealer Member and enforced in a manner that gives full effect to the terms of Rule 39.4.

3. Compliance by the Agent with Applicable Laws

(a) The Agent represents and warrants to the Dealer Member that (i) it is registered or licensed in the manner necessary under all Applicable Laws; (ii) it is in good standing under all Applicable Laws; and (iii) it is in compliance with all Applicable Laws.

(b) The Agent shall (i) maintain any registrations or licenses in the manner necessary under all Applicable Laws; (ii) remain in good standing under all Applicable Laws; and (iii) comply with all Applicable Laws.

4. Conduct of the Agent's Business

(a) Subject to Rule 29.7A, the Agent shall conduct all Dealer Member Business in the name of the Dealer Member.

(b) The Agent shall not conduct any Securities Related Business with, in respect of or on behalf of any person other than the Dealer Member. The Agent shall not conduct any Non-Dealer Member Business except as disclosed in writing to the Dealer Member and as consented to in writing by the Dealer Member.

5. Supervision of the Agent by the Member

(a) The Dealer Member shall be responsible for the conduct of the Agent, and shall supervise the conduct of the Agent in respect of Dealer Member Business, including, without limitation, compliance by the Agent with all Applicable Laws and with the terms of this Agreement.

(b) If the Agent is engaged in or carrying on Non-Dealer Member Business, the Dealer Member shall monitor and enforce compliance with the terms of this Agreement directly, and not by or through any other person.

(c) The Agent shall ensure that the terms or basis on which it is engaged in or carries on Non-Dealer Member Business comply with the terms of this Agreement and the Rules and do not prevent or impair the ability of the Dealer Member or the Corporation from monitoring and enforcing compliance by the Agent with the terms of this Agreement and the Rules.

(d) Where the Dealer Member and Agent agree that the Agent shall make written disclosure to Clients advising Clients of the business activity included in or excluded from the Securities Related Business that the Dealer Member conducts and that any other business activity conducted by the Agent is not the responsibility of the Dealer Member but the responsibility of the Agent alone, the Dealer Member shall be responsible for ensuring that the Agent provides the disclosure directly to Clients.

(e) The Dealer Member shall be liable to clients (and other third parties) for the acts and omissions of the Agent relating to Dealer Member Business as if the Agent were an employee of the Dealer Member, subject to any defence available to the Dealer Member under Applicable Laws.

(f) In the event that:

(i) the Corporation, a securities commission or any other regulatory authority having jurisdiction has advised the Dealer Member to the effect that, or has commenced an investigation or any proceeding on the basis that, or

(ii) the Dealer Member has reasonable grounds to believe that, the conduct by the Agent of any business in respect of any Client or Clients is not in compliance with any Applicable Laws, the Dealer Member may immediately and without notice to the Agent assume responsibility for and control of all or any dealings and communications with such Client or Clients, and the Agent shall not engage in any such dealings or communications with the Client or Clients for as long as and to the extent that the Dealer Member has assumed such responsibility. During the period that the Dealer Member has assumed responsibility for the Client or Clients in the manner above, the Dealer Member may designate another employee or agent of the Dealer Member who is qualified to provide such services to the Client or Clients as may be necessary or desirable in connection with its Dealer Member Business, and all or any portion of the remuneration otherwise payable to the Agent in respect of such services or business may be directed or paid to such other employee or agent.

6. Records and Insurance

(a) The Agent shall prepare all Records in accordance with Rule 17, Rule 200 and all other Applicable Laws.

(b) The Agent's Records are the property of the Dealer Member. Upon the request of the Dealer Member for any reason, including, without limitation, the termination of this Agreement, the Agent shall forthwith deliver the Records to the Dealer Member.

(c) The Dealer Member shall maintain, in accordance with Rule 17 and Rule 400, financial institution bond and insurance policies that cover and relate to the conduct of the Agent.

7. Access by the Member

(a) The Agent shall make the Records available for review by the Dealer Member at the premises where the Agent conducts securities related business on behalf of the Dealer Member and at any other place the Records are located. The Dealer Member has the right to inspect the Records at any time, immediately upon demand by the Dealer Member.

(b) The Dealer Member has the right to access any place of business of the Agent at any and all times. The Dealer Member may exercise such right to access at any time, immediately upon demand by the Dealer Member.

APPENDIX B
MEMBER AGREEMENT REGARDING AGENTS

TO: INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (THE "CORPORATION")
RECITALS:

A. The Dealer Member is a member of the Corporation and has agreed to be bound by its By-laws and Rules ("Rules").

B. Rule 39.4(o) of the Corporation requires the Dealer Member to enter into this Agreement, which is in addition to, and does not replace or modify, the Rules or any agreement between the Corporation and the Dealer Member.

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Dealer Member agrees that:

1. The Dealer Member shall ensure that each of its agents (as defined in Rule 39.3(b)) complies with all laws, legislation and regulations of any governmental entity that are applicable to such agent and all by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority that are applicable to such agent (collectively, "Applicable Laws"), as if such agent is an employee of the Dealer Member.

2. The Dealer Member shall enter into an agreement with each agent of the Dealer Member, in accordance with Rule 39.4(n) of the Corporation, pursuant to which the agent agrees to comply with all Applicable Laws.

3. The Dealer Member shall administer and comply with all Rules as if each agent of the Dealer Member is an employee of the Dealer Member and, without limitation, shall be responsible for and shall supervise the conduct of each agent in respect of its business, including compliance with Applicable Laws as if such agent is an employee of the Dealer Member.

4. The Dealer Member or the agent of the Dealer Member shall make written disclosure to the client advising the client of the business activity included in or excluded from the securities related business (as defined in Rule 39) that the Dealer Member conducts and that any other business activity conducted by the agent is not the responsibility of the Dealer Member but is the responsibility of the agent alone. The disclosure to new clients shall be provided at the time an account is opened for a client. The disclosure to existing clients shall be provided simultaneously with the language set out in Paragraph 7 within 6 months of the effective date of Rule 39.

5. Where the written disclosure described in Paragraph 4 is made by the agent, the Dealer Member shall ensure that the agent provides the disclosure directly to the client.

6. At the time an account is opened for a client, the Dealer Member shall include the following language in the New Client Application Form:

> Your investment adviser may be an employee or an agent of [Dealer Member firm]. In either case, [Dealer Member firm] will be irrevocably liable to you, and will continue to be liable to you for the acts and omissions of your investment adviser relating to [Dealer Member firm's] business as if the investment adviser were an employee of [Dealer Member firm]. By continuing to deal with our firm you accept our offer of indemnity.

7. For existing client accounts that were opened with the Dealer Member on or before the effective date of Rule 39, the Dealer Member shall deliver to clients a document that includes the language as set out in Paragraph 6.

8. This Agreement shall be governed by the laws of the [applicable province or territory] and the laws of Canada applicable in the [applicable province or territory].

9. This Agreement shall enure to the benefit of, and shall be binding upon, the parties hereto and their successors and permitted assigns, provided that the Dealer Member may not assign its rights and obligations hereunder without the prior written consent of the Corporation.

DATED as of the ____ day of _____, _____.

[MEMBER]

_____
Name:
Title:

RULE 40
INDIVIDUAL APPROVALS, NOTIFICATIONS AND FEES AND THE NATIONAL REGISTRATION DATABASE

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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;

(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 7 days of the appointment;

(e) notify the NRD Administrator of any change in the name of the firm's chief AFR within 7 days of the change;

(f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 7 days of the change; and

(g) submit any change in the phone number, fax number or e-mail address of the chief AFR in NRD format within 7 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 or an application for reinstatement of approval shall make such application to the Corporation through the NRD on Form 33-109F4 or Form 33-109F7 as applicable.

(2) 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, 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 to the NRD Administrator pursuant to subsection (3) above shall be submitted by electronic pre-authorized debit through NRD.

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, 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 or customer type 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 successful 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 33-109F5 in the time required pursuant to NRD National 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.

(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 and in the manner prescribed in NRD National Instrument 33-109 for a registered firm, as defined in NRD National Instrument 33-109, to notify the regulator of the same type of event.

(2) If an Approved Person ceases to have an employment, partnership or agency relationship with a Dealer Member, the individual's approval with the Dealer Member is suspended until reinstated by the Corporation or under the Rules of the Corporation.

(3) Despite 40.3(1), the approval of an individual suspended under paragraph (2) is reinstated on the date the individual submits a completed Form 33-109F7 in accordance with NRD National Instrument 31-102 if:

(a) the Form 33-109F7 is submitted on or before the 90th day after the cessation date;

(b) after the cessation date there have been no changes to the information previously submitted in respect of any of the following items of the individual's Form 33-109F4:

(A) item 13 *[Regulatory disclosure]*;

(B) item 14 *[Criminal disclosure]*;

(C) item 15 *[Civil disclosure]*;

(D) item 16 *[Financial disclosure]*;

(c) the individual's employment, partnership or agency relationship with the former sponsoring firm did not end because the individual was asked by the firm to resign, or was dismissed, following an allegation against the individual of any of the following:

(A) criminal activity,

(B) a breach of securities laws, or

(C) a breach of the rules of the Corporation;

(d) the individual is seeking reinstatement in the same category of approval in which the individual was approved on the cessation date.

(4) Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board 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).

(5) Any fees payable to the Corporation pursuant to subsection (4) above shall be submitted by electronic pre-authorized debit through NRD.

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 National Instrument 33-109 for a registered firm, as defined in NRD National 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 National Instrument 33-109 for a registered firm, as defined in NRD National 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 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.

(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 Repealed.

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 7 days after the day on which the information was required to be submitted.

(2) If unanticipated technical difficulties prevent a Dealer Member from submitting an application in NRD format, the Dealer Member may submit the application other than through the NRD website.

(3) 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 NATIONAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD), THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED IN PAPER FORMAT UNDER A TEMPORARY HARDSHIP EXEMPTION.

(4) If a Dealer Member makes a submission other than through the NRD website under this section, the Dealer Member must resubmit the information in NRD format as soon as practicable and in any event within 14 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 no less than 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.

(4) A Dealer Member must obtain from each individual who is approved to act on behalf of the firm a copy of the Form 33-109F1 most recently submitted by the individual's former sponsoring firm in respect of that individual, if any, within 60 days of the firm becoming the individual's sponsoring firm.

RULE 100
MARGIN REQUIREMENTS

Guarantees

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100.14. No Dealer Member shall provide, directly or indirectly, any guarantee, indemnity or similar form of financial assistance to any person unless the amount of the guarantee, indemnity or other assistance is limited to a fixed or determinable amount (except a guarantee provided in accordance with Rule 16.2(iv)) and margin is provided for by the Dealer Member pursuant to this Rule 100.14 or the amount is otherwise provided for in computing the risk adjusted capital of the Dealer Member. The margin required in respect of any such guarantee, indemnity or financial assistance shall be the amount thereof, less the loan value (calculated in accordance with the Rules) of any collateral available to the Dealer Member in respect of the guarantee, indemnity or assistance and, in the case of guarantees provided in accordance with Rule 16.2(iv), no margin shall be required.

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RULE 500
TRADERS

500.1. Application for approval as a Trader shall be made to the Corporation in such form as the Board of Directors may from time to time prescribe.

500.2. No person shall act as a Trader unless the person has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900.

RULE 600
SUSPENDED MEMBERS

600.1. During the period of suspension, a suspended Dealer Member shall not be entitled to exercise the rights and privileges of Membership and without limiting the generality of the foregoing, the suspended Member:

(a) Shall not be entitled to attend or vote at meetings of the Corporation or of any District of the Corporation;

(b) Shall remove from its premises any reference to its Membership in the Corporation; and

(c) Shall no longer use reference to its Membership in the Corporation in its advertisements, letterhead or other material, and the name of the suspended Dealer Member shall be carried in the Corporation's Membership Directory but shall be marked with an asterisk and footnote indicating that the Dealer Member has been suspended and the period of suspension;

Provided that during the period of suspension the suspended Dealer Member shall continue to be liable for the payment of Annual Fees and of any assessment and provided further that so long as the Dealer Member is not in arrears in the payment of its Annual Fee or other indebtedness to the Corporation, the suspended Dealer Member shall be entitled to remain in the Corporation's Group Insurance Plan or any other insurance or retirement plans in which the Dealer Member is enrolled at the time of suspension but if not already enrolled in such Group Insurance Plan or in any other insurance or retirement plans at the time of suspension no Dealer Member under suspension may enrol therein.

600.2. Within ten days after the imposition of a suspension or in the event of an appeal there from, within seven days after the confirmation of such suspension by the Board of Directors, the Dealer Member shall advise the Corporation in writing that it has complied with the requirements of clauses (b) and (c) of Rule 600.1.

RULE 700
USE OF NAME OR LOGO OF THE CORPORATION

700.1. Unless the Board of Directors in any particular case is of the opinion that the use of the name or the logo of the Corporation is detrimental to the interests of the Corporation or its Dealer Members, the name of the Corporation, or the logo of the Corporation together with the name as provided below, may be used by Dealer Members on letterheads, circulars advertising and other publicity matter, except in the case of circulars, advertising and publicity matter (not being signed letters), mailed, delivered, published, or otherwise used for the purpose of giving publicity to any specific new issue of securities, other than securities authorized for investment by trustees in any province. Dealer Members may also use the name of the Corporation, or the logo of the Corporation with the name as provided below, on their office doors and windows, provided that the name of the Corporation, when so used shall appear in smaller

type than the name of the Dealer Member and the reference to the name of the Corporation and Membership therein shall be (in singular or plural form) in one or other of the following forms:

Member(s) of the Investment Industry Regulatory Organization of Canada
and/or

Membre(s) de l' Organisme canadien de réglementation du commerce des valeurs mobilières
or

Member(s) of the Investment Industry Regulatory Organization of Canada - Organisme canadien de réglementation du commerce des valeurs mobilières
or

Membre(s) de l' Organisme canadien de réglementation du commerce des valeurs mobilières - Investment Industry Regulatory Organization of Canada

The logo of the Corporation in the form below may only be used together with the name of the Corporation in any of the formats above, provided that the size of the logo shall be such as to give reasonably equal prominence to each of the name and the logo.

Upon receiving a request from the Corporation, a Dealer Member shall provide to the Corporation, samples of any letterhead, circulars, or other promotional materials used by that Dealer Member bearing the Corporation's name or logo. Should a Dealer Member fail to comply with a request by the Corporation, should a Dealer Member be found by the Corporation not to be using the Corporation's name or logo as required by the Rules, or should a Dealer Member no longer be a member of the Corporation or be subject to any discipline by the Corporation, the Corporation may direct the Dealer Member to cease using the name or logo of the Corporation and the Dealer Member shall deliver up to the Corporation all materials bearing the Corporation's name and logo.

RULE 1300
SUPERVISION OF ACCOUNTS

1300.1.
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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.

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RULE 2400
RELATIONSHIPS BETWEEN DEALER MEMBERS AND FINANCIAL SERVICES ENTITIES:
SHARING OF OFFICE PREMISES
INTRODUCTION

This Rule establishes guidelines for Dealer Members to ensure that clients are informed of the products they are purchasing and that clients understand the relationship that a Dealer Member may have with a financial services entity in circumstances where a Dealer Member carries on business in the same location as that entity. For the purposes of this Rule 2400, a financial services entity would include an entity that is licensed or registered in another category pursuant to applicable securities legislation or subject to another Canadian regulatory regime. Financial services subject to another Canadian regulatory regime would include banking, mutual funds, insurance, deposit taking and mortgage brokerage activities.

Dealer Members should also refer to National Instrument 33-102 Regulation of Certain Registrant Activities, which came into force on August 1, 2001.

This Rule 2400 is applicable to retail clients only.

GENERAL PRINCIPLES

1. A Dealer Member may share premises with another financial services entity, whether or not the Dealer Member is related or affiliated with that entity.

2. A Dealer Member shall ensure that clients clearly understand with which legal entity they are dealing. The client may be informed through various methods, including appropriate signage and disclosure, as set out below. Dealer Members are reminded of Rule 29.7A, which deals with the use of trade names and legal names in connection with the conduct of Dealer Member business. This Rule shall be complied with regardless of the location of the Dealer Member or its branches.

3. The provisions of this Rule apply to the Dealer Member and its branches or sub-branch offices. Such sub-branch offices shall have no more than three registered representatives. The head office or a branch office of the Dealer Member firm shall be designated as having supervisory responsibility for the sub-branch.

DISCLOSURE OF SECURITIES RELATED ACTIVITIES

1. Where a Dealer Member opens an account for a client, the Dealer Member shall deliver a written disclosure statement outlining the relationship between the Dealer Member and the financial services entity and stating that the Dealer Member is a separate entity from the financial services entity. This disclosure is only required when the client is a client of a branch where there are shared premises.

2. At the time the account is opened, the Dealer Member shall obtain an acknowledgement from the client that specifically refers to the written disclosure statement required above and confirms that the client has read the written disclosure statement.

3. The acknowledgement may be obtained in a number of ways, including requesting the client's signature or initials at a designated place or that the client place a check in a check box. It is the responsibility of the Dealer Member to draw the client's attention to the disclosure.

4. For existing clients, the Dealer Member shall provide clients with a notice that contains the disclosure required in section 1 above.

CONFIDENTIALITY OF CLIENT INFORMATION

General

Where a client consents to the disclosure of confidential information, the information may be shared as set out in the consent disclosure document, described in section 2 below.

Consent for New Clients

1. This part does not apply to a Dealer Member subject to securities legislation in Quebec with respect to its dealings with clients in Quebec. In such circumstances, Dealer Members are advised to comply with *An Act Respecting the Protection of Personal Information in the Private Sector*, regarding the protection of personal information of their clients.

2. A Dealer Member shall hold all information about a client confidential and shall not disclose the information to representatives, employees or agents of another financial services entity located in the same premises, except as expressly permitted or required by law or the Rules, unless before disclosing the information

   (a) the Dealer Member provides at least the following information to the client to whom the information pertains:

      (i) the name of the financial services entity to which the information will be disclosed,

      (ii) the nature of the relationship between the Dealer Member and the financial services entity,

      (iii) the nature of the information that will be disclosed,

      (iv) the intended use of the information by the financial services entity, including whether that entity will disclose the information to others,

      (v) a statement that the client has the right to revoke the consent referred to in paragraph (b), and

(vi) a statement that the client's consent under paragraph (b) is not required as a condition of the Dealer Member dealing with the client, except in circumstances described in section 3; and

(b) the client provides specific and informed consent to the specific disclosure of the client information.

3. No Dealer Member shall require a client to consent to the Dealer Member disclosing confidential information regarding the client as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying a product or service, unless the disclosure of the information is reasonably necessary to provide the specific product or service that the client has requested.

4. Client consent may be obtained in a number of ways, including requesting the client's signature or initials at a designated place or that the client place a check in a check box. No Dealer Member shall use a "negative option" to obtain consent. A "negative option" would, for example, occur where a client who did not check a check-off box or initial an initial box would nonetheless be deemed to have consented.

5. Despite section 2, a Dealer Member does not need to obtain client consent to disclose confidential retail client information

(a) for audit, statistical or record-keeping purposes;

(b) to a law enforcement agency, securities regulatory authority or self-regulatory organization;

(c) for the collection of a debt owed by the client; or

(d) to a lawyer for the purposes of obtaining legal advice.

6. Dually Employed Representatives – Where registrants are dually employed such individuals shall not disclose any confidential client information to any person other than the staff of the entity with which the client is dealing or for the purpose of performing the relevant services for that client, unless the client's consent has been obtained.

Consent for Existing Clients

1. An existing client of a Dealer Member is considered to have provided consent, as required above, if the client:

(a) has provided consent, either positively or negatively, to the Dealer Member to disclose the confidential client information prior to the implementation of this Rule; and

(b) is provided with a notice that contains

(i) the disclosure required in section 2 above, and

(ii) a statement of the right of the client to withdraw his or her consent.

MINIMUM STANDARDS FOR SHARED PREMISES

1. Introduction – The following minimum standards are intended as guidelines for Dealer Members. The Corporation acknowledges that such standards may not be practicable in certain business arrangements, such as where there are numerous dually employed representatives or the Dealer Member engages in discount brokerage operations. The guiding objective behind the standards is to ensure clients are not confused as to which entity they are dealing. Based on the organization of business arrangements, Dealer Members may need to develop policies and procedures that differ from this Rule yet still achieve the underlying objective.

2. Telephone Operations – Clients should have a clear understanding of with which entity they are dealing when they call the Dealer Member or financial services entity. A shared receptionist is permitted. Separate directory listings for each entity are recommended.

3. Client Records – Dealer Members are required to keep client records separate from the records of the financial services entity. The financial services entity shall not have access to the client records of a Dealer Member unless the provisions relating to confidentiality above are complied with. Hard copies of client files shall not be accessible to representatives, employees or agents of the financial services entity. Electronic records must have separate passwords or other similar controls to ensure they are not accessible by the financial services entity. Separate computer hardware and software is recommended.

4. Signage – The legal names under which the Dealer Member and financial services entity operate must be clearly displayed in a prominent location such as the office entrance door or reception area. A business, trade or style name under which all the entities operate may also be displayed. The names of each individual representative of the entities need not be displayed.

5. Physical Premises – The layout of the shared location must ensure confidentiality of client information. The following guidelines apply:

   (a) Separate entrances are not necessary;

   (b) Where necessary to minimize client confusion and ensure confidentiality of records and privacy, and if permitted by resources and infrastructure, it may be advisable for representatives, employees or agents of the Dealer Member and the financial services entity to be situated in separate areas; and

   (c) Client files, account process areas, etc. must be effectively controlled and physically secured.

6. CIPF Logo and Brochures – The CIPF logo and brochures must be displayed in a manner that makes it clear that they are applicable only to the Dealer Member and not to the other financial services entity.

7. Supervision

   (a) Branch Managers

      (i) Dual Employment - In some jurisdictions it is permissible that a trading officer be dually employed with an affiliated Dealer Member and non-Dealer Member, provided that the requirements of Rule 7.7 are satisfied. Such dually employed trading officers may be designated as a branch manager for both the Dealer Member and financial services entity. In other jurisdictions, securities legislation requires that different branch managers conduct supervision. In either situation, the branch manager may be on-site or off-site, as required by the circumstances.

      (ii) Supervision – Branch managers are required to devote sufficient time to the supervision of the branch. In addition, Rule 2500 details specific supervisory requirements that branch managers must undertake. Rule 1300 details what is required for the supervision of accounts. Rule 29.27 in part requires periodic onsite reviews of branch office supervision to ensure that supervision is adequate. In addition, due to the sharing of office premises, branch managers have additional responsibilities with respect to the confidentiality of client records, the separation of files and operations, the issue of dually employed registrants, registrants not acting outside the limitations of their registration, etc.

   (b) Adequate resources and appropriate systems – The Dealer Member must have written procedures and systems in place for the supervision of shared office premises reasonably designed to ensure that representatives adhere to the provisions contained in this Rule in order that clients are not confused as to with which entity they are dealing. The Dealer Member must have sufficient supervisory resources allocated at head office and at the shared office premises to effectively implement supervisory procedures required under this Rule. The Dealer Member must have a program for communicating the provisions in this Rule to the representatives at the shared office premises and ensuring that the provisions are understood and implemented.

   (c) Administration Officer – An administration officer responsible for general office oversight may be shared between the Dealer Member and financial services entity. The administration officer is not required to be a registered person. Branch managers, however, are still required in order to supervise business practices and monitor compliance with Corporation and securities regulatory requirements.

8. Business Cards

   (a) Where registrants are dually licensed as an investment adviser and life insurance representative, insurance legislation differs in the provinces regarding the use of separate or double-sided business cards. It is the responsibility of the Dealer Member to ensure compliance with applicable securities and insurance legislation.

   (b) Where registrants are dually employed by a Dealer Member and a financial services entity, it is recommended that the registrant have double-sided business cards.

9. Permissible Non-Registrant Activities

(a) Non-registered personnel employed by the Dealer Member or representatives of the financial services entity may not conduct certain activities. These individuals may not:

(i) open client accounts at the Member,

(ii) distribute or receive order forms for securities transactions to be conducted through the Member,

(iii) assist clients in completing order forms for securities transactions to be conducted through the Member,

(iv) provide recommendations or any advice on any activity in or for the account of the Dealer Member,

(v) complete know-your-client information on a New Client Application Form other than the biographical information, and

(vi) solicit securities transactions to be conducted through the Dealer Member.

(b) However, these individuals are permitted to:

(i) advertise the services and products of the Member,

(ii) deliver or receive securities to or from clients,

(iii) contact clients to arrange appointments or give notice regarding deficiencies in completed forms,

(iv) provide information on the status of a client's account and provide account balances,

(v) provide quotes and other market information,

(vi) contact the public, including inviting the public to firm seminars and forwarding non-securities specific information,

(vii) receive completed New Client Application Forms to forward to the Dealer Member for approval, and

(viii) distribute New Client Application Forms, provided that

(1) apart from specific allowances described elsewhere in this Rule 2400, if assistance is given to a client in completing the Form, it is given by a registered person of the Dealer Member, or by the manager, assistant manager or credit officer in the branch where there is no registered person of the Dealer Member, provided that such person possesses a high degree of knowledge about the client's financial affairs, and

(2) before any trades are conducted on behalf of a client, the Form is approved by the designated person or branch manager in accordance with Rule 1300.2.

(c) It is recommended that sales assistants and other employees be assigned to either the Dealer Member or financial services entity rather than shared between both. If warranted by the circumstances, certain individuals should sign confidentiality agreements.

10. Prohibited Registrant Activities – Registrants are permitted to offer services and products to clients but only with respect to the category of registration within which they are licensed. For example, a mutual fund salesperson is registered solely for the purpose of trading in mutual fund shares or units. The purpose of this restricted category is to allow individuals whose business focuses on a single product to access the securities market with reduced registration requirements. Consequently, mutual fund salespersons may not offer or advise their clients with respect to securities in which they are not registered to trade, nor may they communicate client orders directly or indirectly to an investment dealer salesperson. Furthermore, mutual fund salespersons are permitted to accept orders only for the accounts at the dealer with which they are registered.

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 Dealer Member 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 Canadian Securities Course,

B. The Conduct and Practices Handbook Course

C. The Branch Managers Course, and

D. 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 Canadian Securities Course, The Conduct and Practices Handbook Course, and the Branch Managers Course

(iv) If supervising options trading, successful completion of The Derivatives Fundamentals Course, The Options Licensing Course and The Options Supervisor 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 Customer accounts only are:

(i) If supervising Registered Representatives or Investment Representatives dealing with institutional customers, successful completion of:

A. 1. The Branch Managers Course, or

2. The Partners, Directors and Senior Officers Course;

and

B. The proficiency requirements necessary to conduct or supervise any trading activity carried on by Approved Persons he or she supervises.

(ii) If supervising options trading, successful completion of The Options Supervisor Course.

(iii) If supervising futures contract and futures contract options, successful completion of:

A. 1. The Derivatives Fundamentals Course and Futures Licensing Course, or

2. The Futures Licensing Course and the National Commodity Futures Examination administered by the Financial Industry Regulatory Authority;

and

B. the Canadian Commodity Supervisors Examination.

(c) A Chief Compliance Officer who is also a Supervisor of a producing Supervisor is exempt from the proficiency requirements in 1(a)(ii) provided he/she complies with the proficiency requirements of Dealer Member Rule 2900 Part I A.2B.

(d) If an individual is approved as a Supervisor as of September 28, 2009, the requirement to complete The Derivatives Fundamentals Course and The Options Licensing Course in subsection 1(a)(iv) does not apply to the individual so long as the individual remains approved in the Supervisor category.

(e) An individual who supervises a Registered Representative under Rule 1300.15(c) must satisfy the applicable proficiency requirements of Rule 2900 Part I A.6 or section 3.11 (Portfolio manager – advising representative) of National Instrument 31-103 *Registration Requirements and Exemptions* and is, for greater certainty, exempt from the requirements in Rule 2900 Part I A.1(a)(i), (ii) and (v).

(f) A partner, Director, or Officer who is a Designated Supervisor under Rule 1300.2 or 1300.4 and who undertook such a supervisory role immediately prior to September 28, 2009 is exempt from the applicable requirements in subsection 1(a)(ii) and (iii) provided:

(i) the individual successfully completed the Partners, Directors and Senior Officers Course;

(ii) the individual seeks approval as a Supervisor within 6 months of September 28, 2009; and

(iii) the individual remains approved in the Supervisor category.

2. Directors and Executives

The proficiency requirements for a Director or Executive of a Dealer Member 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 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. 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.

3. 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 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 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 90-day 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 CSI Global Education Inc. and previously The Institute of Canadian Bankers, or

(d) The Principles of Mutual Funds Investment Course administered by CSI Global Education Inc. and previously The Institute of Canadian Bankers.

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 courses necessary to attain the Canadian Investment Manager Designation, 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 a 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:

(a) The Derivatives Fundamentals Course and the Options Licensing Course, or

(b) The Series 7 administered by the Financial Industry Regulatory Authority and the New Entrants 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 may prescribe a fee to be paid for any exemption application under paragraph 1.

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 particular 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

Subject to Rule 2900 Part II A.3(a), 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, Wealth Management Essentials 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, Wealth Management Essentials 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 an 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 an 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 an 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 I 3(a)(i)(C)2 if, within three years prior to application, the applicant was approved for trading for Retail Customers 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 I 3(a)(i)(C)1 if, within three years prior to application, the applicant was approved for trading and advising Retail Customers 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 Customers.

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 Customers.

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 may prescribe a fee to be paid for any exemption application under this Rule 2900 Part II.

PART III – THE CONTINUING EDUCATION PROGRAM

INTRODUCTION

This Part III establishes a Continuing Education Program (the Program) for Participants for the duration of their career in the securities industry. The Program operates on three-year cycles, the first commencing in January 1, 2000. The start-to-end date of each cycle is the same for all participants.

A. DEFINITIONS

For the purposes of this Part III,

"Course" – means a single integrated course, or a series of pertinent courses, seminars, presentations or programs that in total meet the minimum time and content requirements of the course guidelines which form part of this Rule 2900, Part III.

"Participants" – means certain "Approved Persons" employed by Dealer Members of the Investment Industry Regulatory Organization of Canada (the Corporation), and approved by the Corporation in the registration categories listed in Schedule 1 of this Rule 2900, Part III (Schedule 1).

B. PARTICIPATION IN THE PROGRAM

Unless exempted under Rule 2900, Part III, Participants must complete continuing education courses based on their categories of approval, as specified in Schedule 1.

In general, individuals who are registered to do retail business and give advice must complete a 12-hour Compliance course and a 30-hour Professional Development course during each three-year cycle. Those who are not registered to do retail business (who deal with institutions only) and those not registered to give advice (such as Investment Representatives) must complete a 12-hour compliance course only, each cycle.

C. EXEMPTION FROM THE WHOLE OR PART OF THE PROGRAM

1. Partners, Directors and Officers approved in non-trading and non-supervisory categories of registration are exempt from the Program.

2. Participants approved as Registered Representatives and Supervisors, who have been continuously approved in a trading capacity for more than 10 years as of January 1, 2000 by a recognized Self Regulatory Organization (the Corporation, Toronto Stock Exchange, Montreal Exchange, Alberta Stock Exchange or Vancouver Stock Exchange), are exempt from the requirement to complete a professional development course. However, such persons shall complete a compliance course in each cycle throughout their career.

D. ENTRY OF RECENTLY APPROVED PERSONS

Recently Approved Persons shall not participate in the Program during the first three years of registration but shall do so, depending on the year of registration, as follows:

1. If the three years since registration ends in year one of a cycle, then the Approved Person becomes a participant in that cycle.

2. If the three years since registration ends in year two or three of a cycle, then the Approved Person becomes a participant in next three-year cycle of the Program.

3. For greater clarification, refer to the Chart below.

An Approved Person first approved in the year:	Starts CE in this Cycle
1997	Cycle 1: 1/Jan/2000 to 31/Dec/2002
1998	Cycle 2: 1/Jan/2003 to 31/Dec/2005
1999	Cycle 2: 1/Jan/2003 to 31/Dec/2005
2000	Cycle 2: 1/Jan/2003 to 31/Dec/2005
2001	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2002	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2003	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2004	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2005	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2006	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2007	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2008	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2009	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2010	Cycle 6: 1/Jan/2015 to 31/Dec/2017
2011	Cycle 6: 1/Jan/2015 to 31/Dec/2017
2012	Cycle 6: 1/Jan/2015 to 31/Dec/2017

E. RE-ENTRY OF APPROVED PERSONS

1. Individuals who were registered more than three years ago and who are returning to the industry will be required to complete their CE requirements in the cycle in which they return.

2. Individuals who are required to re-write the Canadian Securities Course (CSC) and Conduct & Practices Handbook (CPH) in order to re-qualify for registration, may apply these two courses towards the CE requirements for the cycle in which they were re-written. In this circumstance, the CSC can not be carried forward to fulfill the Professional Development requirement in the following cycle.

3. Individuals who have previously been exempted from the Professional Development requirement under Rule 2900, Part III, C.2, who become re-registered after a gap of more than three years, will no longer qualify for the exemption from the Professional Development requirement. These individuals will be required to complete the CE requirement as per their registration category. An exception will be made for individuals who were previously exempted from the Professional Development requirement, who voluntarily participate in the Corporation's CE program during the gap in registration. These individuals will not be required to re-write the CSC and CPH, and will maintain the exemption from the Professional Development requirement when they become re-registered.

F. CHANGE IN CATEGORIES WITHIN A CYCLE

1. Any change, in year one of a cycle, from a registration category that requires a compliance course only, to a category requiring both a compliance course and a professional development course, will require completion of the courses for the new category. If the change occurs in year two or three of the cycle, the requirements are those of the previous category. The requirements for the new position will commence in the next cycle.

2. For changes from a category that requires both a compliance course and a professional development course to a category requiring a compliance course only, the requirements are those of the participant's registration category at the end of the cycle.

3. For changes from a Non-Trading officer category to a Supervisory category that requires a compliance course only, the requirements are the compliance course as per the new category. If the change occurs in year two or three of the cycle, the requirements are those of the previous category. The requirements for the new position will commence in the next cycle.

4. Any change back to a category requiring both a compliance course and a professional development course made after the change as described in subsection 1 will immediately return the participant to the requirement for completion of both the compliance and the professional development course. Should such a change occur too close to the end of the cycle to permit completion of the professional development course, the Dealer Member firm may apply for a hardship extension, pursuant to Section N.

5. An application for a change of category as described in subsection 3 in the first year of the cycle, following a change as described in subsection 2, must be accompanied by an explanation from the Dealer Member sufficient to satisfy the Corporation that the category changes are not in an effort to avoid completion of the Program's requirements.

G. VOLUNTARY PARTICIPATION IN THE PROGRAM

1. Persons who terminate their approval after January 1, 1997, may maintain their standing in the Program on a voluntary basis by completing select courses recognized by the Corporation as meeting the requirements of the Program. The voluntary participation courses must comply with the guidelines that form part of this policy.

2. Persons maintaining voluntary standing in the Program as described in subsection 1 are exempt from the examination rewrite requirements outlined in Rule 2900, Part II – Course and Examination Exemptions for the Canadian Securities Course (CSC) and the Conduct and Practices Handbook Exam (CPH). The CSC and/or CPH must have been successfully passed within the three years prior to the start of either:

   (a) the current cycle, or

   (b) the earliest cycle in which the individual began continuous participation in the Program.

3. Graduates of the CSC and the CPH who have not been approved in any capacity, may join the Program on a voluntary basis by taking courses recognized by the Corporation as meeting the requirements for the Program. The CSC and/or CPH must have been successfully passed within the three years prior to the start of either:

   (a) the current cycle, or

   (b) the earliest cycle in which the individual began continuous participation in the Program.

4. Persons joining the Program as described in subsection 3 are exempt from the examination rewrite requirements outlined in Rule 2900, Part II – Course and Examination Exemptions.

5. Voluntary participants must complete a professional development course and a compliance course in each cycle to maintain voluntary participation standing and qualify for the exemptions in subsections 2 and 4. Both a Compliance course and Professional Development course must be completed irrespective of which position the individual intends to apply for.

6. The exemptions in subsections 2 and 4 are valid until the end of the first year of the next cycle. As a result, Voluntary participation in CE will keep the CSC and CPH valid until the end of the first year of the next cycle.

7. Both the Compliance and the Professional Development courses used for Voluntary Participation must be completed within the cycle to which they are applied and cannot be carried forward from a previous cycle.

8. Individuals may still be responsible for obtaining exemptions and paying any associated fee required by securities legislation for their province or territory.

H. RECORD KEEPING REQUIREMENTS

1. Evidence of Completion may be in the form of a certificate issued by the provider, attendance sheet or bulk notice of completion

2. CE credits earned through courses or seminars at a Participant's previous firm in the current cycle, that have not been reported to the Corporation, may still be considered valid for the Participant by the Participant's current member firm, at the member firm's discretion. The current member firm may accept a statement of verification issued by a former member firm.

3. Dealer Member firms must retain CE certification records and course materials until the end of the cycle following the cycle to which the records relate

I. REPORTING REQUIREMENTS

1. Dealer Members must update the Corporation in the manner prescribed by the Corporation within ten days after the end of the month in which the Dealer Member becomes aware of the names of its Participants that have satisfied all CE course requirements for the completed Cycle.

2. No later than 10 business days following the end of a Cycle, a member must identify via the manner prescribed by the Corporation, those individuals who have not completed the Compliance course and who have been placed under supervision as per the penalties delineated in Section M.

J. THE COMPLIANCE COURSE

1. The 12-hour compliance course is a mandatory component of the Program for all participants. Participants may choose a compliance course from an external course provider or a suitable training Program offered by their sponsoring Dealer Member.

2. Dealer Members may have an external course provider develop and deliver the compliance course or may develop and deliver their own internal course.

3. Courses may be accredited for Corporation CE credits through the Corporation's official accreditation process.

4. The use of a compliance course developed by a Dealer Member is subject to the following requirements:

   (a) The course developed must comply with the guidelines that form part of this policy.

   (b) Participants completing a course offered by a Dealer Member shall have the Dealer Member sign off on their successful completion of that course. The Dealer Member shall determine its own method of evaluating Participants' knowledge and understanding of the courses completed.

K. PROFESSIONAL DEVELOPMENT COURSE

1. Participants may choose a 30-hour Professional Development course from an external course provider or a suitable training Program offered by their sponsoring Dealer Member.

2. The course chosen by a Participant, whether from an external provider or one offered by the Dealer Member, must be approved by the Dealer Member's training supervisor or other responsible person as being relevant to that Participant's role in the investment industry.

3. Courses may be accredited for Corporation CE credits through the Corporation's official accreditation process.

4. Professional development courses developed and offered by the Dealer Member or an external course provider are subject to the following requirements:

   (a) The courses must comply with the guidelines that form part of this policy.

   (b) Participants completing courses offered by their sponsoring Dealer Member shall have the Dealer Member sign off on their successful completion of that course. The Dealer Member shall determine its own method of evaluating Participants' knowledge and understanding of the courses completed.

L. CARRY-FORWARD PROVISIONS

1. No carry forwards are permitted for the compliance course requirement.

2. A maximum of one approved course completed prior to the start of the current cycle that satisfies the minimum 30-hour requirement may be carried forward into the next cycle as a professional development credit. Starting with courses taken in Cycle 2, a course of less than 30 hours may not be carried forward into the next cycle.

3. Where a recently Approved Person completes a course that qualifies for the professional development requirement during that Approved Person's first three years of registration, that course can be carried forward to apply to that Approved Person's first cycle.

4. The Professional Financial Planning Course (PFPC), Investment Management Techniques Course (IMT) or Wealth Management Essentials Course (WME) may not be carried forward pursuant to subsection 2 if it was used as to satisfy the requirement of Rule 2900, Part 1, A, section 3(c).

5. A Multi-level program completed over a period of more than one year, such as a university degree program or the Chartered Financial Analyst (CFA) program, may satisfy the professional development course requirement for

more than one cycle provided each program level meets the guidelines. A level can be carried forward to satisfy the requirement of the next cycle only.

M. PENALTIES

The following penalties shall be imposed for the failure of a Participant to complete the course requirements within a three-year cycle:

1. At the beginning of year one of the next three-year cycle, a monthly fee in the amount of $500 shall be imposed against the Participant's sponsoring Dealer Member for a maximum of six months, or until the Participant completes the courses required, whichever occurs first.

2. If, at the end of the six-month period referred to in subsection 1, the Participant fails to complete the Program requirements, then the Participant's approval will be suspended automatically until such time as the participant successfully completes the course requirements.

3. If, at the end of the three-year cycle, the Participant fails to complete the compliance portion of the program, then a mandatory condition of close supervision, with reports to be retained at the Dealer Member firm, will be imposed on the Participant's registration until such time as course is successfully completed.

4. Any late completion fees paid in error will be refunded provided that the refund is claimed within 120 days of the first day of the month for which the fee was paid.

N. HARDSHIP EXTENSION FROM COMPLETION OF COURSE REQUIREMENTS IN A THREE-YEAR CYCLE

1. A Participant may be granted a hardship extension from the requirement to complete the course requirements within a three-year cycle due to, but not limited to, an illness if

   (a) A partner, Director or Officer of the participant's sponsoring Dealer Member

      (i) approves the delay of completion of the course requirements;

      (ii) advises the Corporation of the reasons for the delay and

      (iii) agrees to a new date for the completion of the course requirement; and,

   (b) The applicable District Council, or its designate, in its discretion determines that the delay is warranted.

2. Despite subsection 1, the granting of such an extension does not permit the Participant to delay the commencement of the next three-year cycle.

3. In the case of an indefinite leave of absence, a Participant unable to complete their requirements for more than one cycle may receive an exemption from the Program provided that

   (a) A partner, Director or Officer of the participant's sponsoring Dealer Member

      (i) approves the exemption, and

      (ii) outlines, in a letter delivered to the Corporation, the reasons for the exemption and specifying the leave is for an indefinite period; and

   (b) The applicable District Council or its designate, in its discretion, determines that the exemption is warranted.

   (c) Upon return to the industry and before engaging in any activity requiring registration

      (i) after an absence of less than three years, the Participant's CE requirements will be determined by the applicable District Council

      (ii) after an absence of more than three years, the Participant shall successfully complete the required proficiency courses as outlined in Rule 2900, Part II.

THE COMPLIANCE COURSE

A. BASIC PRINCIPLES

1. The Rule requires that certain Approved Persons successfully complete the compliance course within each three-year CE cycle. To determine which Approved Persons are required to take the course, please refer to the Rule itself.

2. A Dealer Member can choose to develop and deliver a compliance course, which reflects its own assessment of its current needs and priorities, or it may purchase a compliance course from an external provider. Alternatively, Dealer Members may offer a combination of both.

3. Compliance courses completed by branch managers, sales managers and others in a supervisory position should reflect their additional responsibilities.

4. The Dealer Member must maintain a record of successful completion of the compliance course.

5. As part of the audit process, the Corporation will review Dealer Member-developed compliance courses to ensure they satisfy the Guidelines.

6. If the compliance course program includes an examination, this examination must be successfully completed in order for the course to be applied towards the individual's Compliance requirement.

7. Seminars that support other courses, or preparatory courses that support a course or examination, do not qualify separately for CE credit. The course or examination they support must be successfully completed in order to complete the CE requirement and the support or preparatory course hours may then be included in determining the duration of the total course. The CE credits for the preparatory course must be counted towards the same requirement (Compliance or Professional Development) as the applicable course and must be counted in the same CE Cycle.

8. A Participant who sits on a committee or council of the Corporation, or who teaches a financial course may receive CE credits provided the member firm determines that the issues dealt with are relevant. The member firm may determine the amount of time applicable towards CE Compliance credits.

9. Foreign courses that have a compliance portion can satisfy up to 1/3 (4 hours) of the Corporation's CE Compliance requirement for a cycle. The remaining 2/3 (8 hours) must be satisfied through Canadian compliance courses.

10. The Compliance requirement for Voluntary Participation is restricted to selected courses. For further information, see Voluntary Participation Courses in this guideline.

THE PROFESSIONAL DEVELOPMENT COURSE

A. BASIC PRINCIPLES

1. In general, the courses should be relevant to the securities industry and financial advisors, management-oriented, or designed to improve client service.

2. The subject matter of an individual's course or courses should reasonably reflect that person's skill requirements or be based on the firm's products and market strategies.

3. The program undertaken should reflect the industry's commitment to high quality client service, advice, and professionalism.

4. The subject matter should be educational and non-promotional in nature. For example, the following would not qualify: corporate events held exclusively to introduce or promote new product or service offerings, networking events, or motivational speakers.

5. Subject matter relating to issuer-specific/branded product qualifies if presented in the context of a larger education course or presentation. The general education portion of a course relating to a product category may be granted full credit for the number of hours it takes and the issuer-specific portion should be credited half credit.

6. The program's provider should be professional, having defined the program's learning outcomes in advance, and be able to certify a student's successful completion. Alternatively, the firm may certify a student's successful completion, and assume responsibility for this function.

7. If the course program includes an examination, this examination must be successfully completed in order for the course to be applied towards the individual's Professional Development requirement.

8. Seminars that support other courses, or preparatory courses that support a course or examination, do not qualify separately for CE credit. The course or examination they support must be successfully completed in order to complete the CE requirement and the support or preparatory course hours may then be included in determining the duration of the total course. The CE credits for the preparatory course must be counted towards the same requirement (Compliance or Professional Development) as the applicable course and must be counted in the same CE Cycle.

9. An individual who teaches a relevant course may receive CE credits provided the member firm determines that the issues dealt with are relevant to Professional Development. The member firm may determine the amount of time applicable towards CE Professional Development credits.

10. Foreign courses can be used to satisfy the entire Professional Development requirement provided the course relates to the business the participant is engaged in.

11. The Professional Development requirement for Voluntary Participation is restricted to selected courses. For further information, see Voluntary Participation Courses in this guideline.

RULE 3200
MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL
UNDER RULE 1300.1(T) FOR SUITABILITY RELIEF FOR TRADES NOT RECOMMENDED BY THE MEMBER

A. Minimum requirements for Dealer Members offering solely an order-execution service, either as the Dealer Member's only business or through a separate business unit of the Dealer Member

1. Business Structure and Compensation

(a) The Dealer Member must operate either as a legal entity or a separate business unit which provides order-execution only services.

(b) If operated as a separate business unit of the Dealer Member, the order-execution only service must have separate letterhead, accounts, registered representatives and investment representatives and account documentation.

(c) The registered representatives and investment representatives of the Dealer Member or separate business unit of the Dealer Member shall not be compensated on the basis of transactional revenues.

2. Written Policies and Procedures

(a) The Dealer Member or separate business unit of the Dealer Member must have written policies and procedures covering all of the matters outlined in this Rule.

(b) The Dealer Member or separate business unit of the Dealer Member must have a program for communicating those policies and procedures to all its registered representatives and investment representatives and ensuring that the policies and procedures are understood and implemented.

3. Account Opening

(a) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must make a written disclosure to the customer advising that the Dealer Member or separate business unit of the Dealer Member will not provide any recommendations to the customer and will not be responsible for making a suitability determination of trades when accepting orders from the customer. Such disclosure shall clearly explain to the customer that the customer alone is responsible for his or her own investment decisions and that the Dealer Member will not consider the customer's financial situation, investment knowledge, investment objectives and risk tolerance when accepting orders from the customer.

(b) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must obtain an acknowledgement from the customer that the customer has received and understood the disclosure described in Paragraph 3(a). For accounts such as joint and investment club accounts having more than one direct beneficial owner, the Dealer Member must obtain an acknowledgement from all beneficial owners.

(c) Prior to operating any existing accounts under the approval, the Dealer Member or separate business unit of the Dealer Member must provide the disclosure described in Paragraph 3(a) to the customer and obtain the acknowledgement described in Paragraph 3(b).

(d) The acknowledgements obtained under Paragraphs 3(b) and (c) must take the form of a positive act by the customer(s), a record of which must be maintained by the Dealer Member in an accessible form. Possible forms of the acknowledgement are:

(i) The customer's signature or initials on a new customer application form or similar document where the signature or initial specifically relates to the required disclosure and acknowledgement;

(ii) The clicking of an appropriately labeled button on an electronic account application form, placed directly under the disclosure and acknowledgement text;

(iii) The tape recording of a verbal acknowledgement made by telephone.

4. Supervision

(a) The Dealer Member or separate business unit of the Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that customers are not provided with recommendations as a result of the customer having an account with the separate business unit of the Dealer Member and with another separate business unit of the Dealer Member or with the Dealer Member itself.

(b) The Dealer Member or separate business unit of the Dealer Member must have written procedures and systems in place to review customer trading and accounts for those concerns listed in Rule 2500 other than those related solely to suitability.

(c) The Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of supervisory reviews as required in Rule 2500.

(d) The Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this Rule.

5. Systems and Books and Records

(a) The order-entry systems and records of the Dealer Member or separate business unit of the Dealer Member must be capable of labeling all account documentation relating to customers, including monthly statements and confirmations, as "order-execution only accounts" or some variant thereof.

(b) The monthly statements of a separate business unit of a Dealer Member shall not be consolidated with the account statements of any other business unit of the Dealer Member or of the Dealer Member itself.

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ATTACHMENT C

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
PROPOSED STRUCTURE AND REGISTRATION PLAIN LANGUAGE RULES

TABLE OF CONCORDANCE

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2100	R. 2101 Introduction	(1)	[**New - Non-substantive** - Introduction section]
Rule 0005: Ownership of Dealer Member Securities	5.01					[**Repealed - Non-substantive** - Requirement to inform IIROC of renewable / extendible borrowings is redundant. IIROC already receives monthly financial filings that includes this information.]
Rule 0005: Ownership of Dealer Member Securities	5.02	(1)(a)	Rule 2100	R. 2102 Dealer Member must have Corporation approval to issue subordinated debt	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.02	(1)(b) - (c)				[**Repealed – Substantive** – Requirement for IIROC approval of issuance of restrictive and limited participation securities has been removed.].

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0005: Ownership of Dealer Member Securities	5.02	(2)	Rule 2100	R. 2102 Dealer Member must have Corporation approval to issue subordinated debt	(2)	
Rule 0005: Ownership of Dealer Member Securities	5.02A		Rule 2100	R. 2103 Repayments and additional subordinated debt	(1)	
Rule 0029: Business Conduct	29.11		Rule 2100	R. 2104 Agreements with Corporation	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.03		Rule 2100	R. 2105 Corporation notification of changes of ownership	(1)-(2)	
Rule 0005: Ownership of Dealer Member Securities	5.06		Rule 2100	R. 2106 Ownership of Another Dealer Member	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.04		Rule 2100	R. 2107 Ownership of a Significant Equity Interest	(1)-(2)	
New Provision			Rule 2100	R. 2107 Ownership of a Significant Equity Interest	(3)	[**New - Substantive** – Allows District Council to delegate its authority under this section.]
Rule 0005: Ownership of Dealer Member Securities	5.05		Rule 2100	R. 2108 A Dealer Member's ownership of another Dealer Member	(1)	
New Provision			Rule 2100	R. 2108 A Dealer Member's ownership of another Dealer Member	(2)	[**New - Substantive** – Allows District Council to delegate its authority under this section.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0005: Ownership of Dealer Member Securities	5.07		Rule 2100	R. 2109 Public Ownership	(1)-(2)	
Rule 0005: Ownership of Dealer Member Securities	5.08		Rule 2100	R. 2109 Public Ownership	(3)-(4)	
New Provision			Rule 2100	R. 2109 Public Ownership	(5)	[**New - Substantive** – Allows District Council to delegate its authority under this section.]
Rule 0005: Ownership of Dealer Member Securities	5.09	(a)				[**Repealed - Substantive** - Duplicative of securities law requirements.]
Rule 0005: Ownership of Dealer Member Securities	5.09	(b)	Rule 2100	R. 2110 Public distribution of a Dealer Member's securities	(1)-(3)	
Rule 0005: Ownership of Dealer Member Securities	5.09	(c)				[**Repealed - Non-substantive** - Redundant]
Rule 0005: Ownership of Dealer Member Securities	5.09	(d)				[**Repealed - Non-substantive** - Redundant]
Rule 0005: Ownership of Dealer Member Securities	5.10		Rule 2100	R. 2110 Public Distribution of a Dealer Member's securities	(1)-(3)	
Rule 0005: Ownership of Dealer Member Securities	5.11					[**Repealed - Substantive** - Duplicative of securities law requirements.]
Rule 0005: Ownership of Dealer Member Securities	5.12 (except (a))		Rule 2100	R. 2111 Take-over Bids or amalgamations	(1)-(3)	[**Amended - Substantive** - Subsection 5.12(a) deleted, duplicative of securities law requirements.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0005: Ownership of Dealer Member Securities	5.13		Rule 2100	R. 2112 Secondary distribution of securities	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.15		Rule 2100	R. 2113 Soliciting trades in a Dealer Member's securities	(1)-(3)	
Rule 0005: Ownership of Dealer Member Securities	5.15	last paragraph	Rule 2100	R. 2114 Dealer Member's securities in client accounts	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.14		Rule 2100	R. 2114 Dealer Member's securities in client accounts	(2)	
Rule 0005: Ownership of Dealer Member Securities	5.16		Rule 2100	R. 2115 Research reports	(1)	
Rule 0005: Ownership of Dealer Member Securities	5.16A					[**Repealed - Substantive** - Duplicative of securities law requirements.]
Rule 0005: Ownership of Dealer Member Securities	5.17		Rule 2100	R. 2116 Corporation approvals	(1)-(4)	
Rule 0005: Ownership of Dealer Member Securities	5.18		Rule 2100	R. 2116 Corporation approvals	(5)	
New Provision			Rule 2100	R. 2116 Corporation approvals	(6)	[**New - Substantive** – Allows District Council to delegate its authority under this section.]
New Provision			Rule 2100	R. 2117. - 2149. Reserved		[**New - Non-substantive** - Reserved sections]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2150	R. 2151 Introduction	(1)	[**New – Non-substantive** - Introductory provision added.]
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	4.06		Rule 2150	R. 2152 Business locations	(1)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.02		Rule 2150	R. 2153 Holding companies	(1)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.01		Rule 2150	R. 2153 Holding companies	(2)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.03		Rule 2150	R. 2154 Related companies and associates	(1)	[**Amended – Substantive -** Approval requirement for investment in "associates" removed.]
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.04					[**Repealed – Non-substantive -** Related companies that are Dealer Members must comply with the Rules anyway, and those that aren't Dealer Members are not under IIROC jurisdiction.
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.05		Rule 2150	R. 2154 Related companies and associates	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.06	(1)	Rule 2150	R. 2154 Related companies and associates	(3)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.06	(4)	Rule 2150	R. 2154 Related companies and associates	(4)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.06	(2) and (3)	Rule 2150	R. 2154 Related companies and associates	(5)	
Rule 0100: Margin Requirements	100.14	1st part	Rule 2150	R. 2154 Related companies and associates	(6)	
New Provision			Rule 2150	R. 2154 Related companies and associates	(7)	[**New - Substantive** – Allows District Council to delegate its authority under this section.]
Rule 0100: Margin Requirements	100.14	2nd part				[**Repealed – Non-substantive -** Redundant with requirements of Statement B]
Rule 1300: Supervision of Accounts	1300.01	(t)	Rule 2150	R. 2155 Approval as a discount broker	(1)-(3)	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	A	(1)(a)	Rule 2150	R. 2155 Approval as a discount broker	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	A	(2)(a)	Rule 2150	R. 2155 Approval as a discount broker	(3)	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	A	(1)(b)	Rule 2150	R. 2155 Approval as a discount broker	(4)	
Rule 3200: Minimum Requirements for Dealer Members seeking approval under Rule 1300.1(T) for suitability relief for trades not recommended by the Member	A	(1)(c)	Rule 2150	R. 2155 Approval as a discount broker	(5)	
Rule 0006: Dealer Member Holding Companies, Related Companies & Diversification	6.07		Rule 2150	R. 2156 Business other than securities	(1)-(3)	[**Amended – Non-substantive** - Last paragraph deleted. Permitting mutual fund and insurance sales is redundant.]
New Provision			Rule 2150	R. 2156 Business other than securities	(4)	[**New - Substantive** – Allows District Council to delegate its authority under this section.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2400: Relationship between Dealer Member & Financial Service Entities	Confiden-tiality of Client Info	General	Rule 2150	R. 2157 Shared premises	(1)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	General Principles	(1)	Rule 2150	R. 2157 Shared premises	(1)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Introducti on		Rule 2150	R. 2157 Shared premises	(2)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	General Principles	(2)	Rule 2150	R. 2157 Shared premises	(3), (7), and (10)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(7)(a)(ii)	Rule 2150	R. 2157 Shared premises	(4)-(5)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(5)	Rule 2150	R. 2157 Shared premises	(6)	[**Amended - Non-substantive -** Some of the materials have been moved to GN 2200-2 Shared Premises. Not a requirement.]
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(4)	Rule 2150	R. 2157 Shared premises	(7)-(8)	[**Amended - Non-substantive -** Some of the materials have been moved to GN 2200-2 Shared Premises. Not a requirement.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(6)	Rule 2150	R. 2157 Shared premises	(9)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(3)	Rule 2150	R. 2157 Shared premises	(11)	[**Amended - Non-substantive -** Some of the materials have been moved to GN 2200-2 Shared Premises. Not a requirement.]
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Disclo-sure of Securities Related Activities	(1), (2) and (4)	Rule 2150	R. 2157 Shared premises	(12)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities	Confident-iality of Client Info - Consent for New Clients	(1)-(5)	Rule 2150	R. 2157 Shared premises	(13)	[**Amended – Substantive -** This section is amended so that it does not duplicate privacy legislation. Rather than list privacy considerations , it now refers to privacy legislation.]
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Confiden-tiality of Client Info - Consent for Existing Clients	(1)	Rule 2150	R. 2157 Shared premises	(13)	[**Amended – Substantive –** The rewrite does not distinguish between new and existing clients for confidentiality purposes.]
Rule 2400: Relationship between Dealer Member & Financial Service Entities	Confiden-tiality of Client Info - Consent for New Clients	(6)	Rule 2150	R. 2157 Shared premises	(14)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(9)(a)	Rule 2150	R. 2157 Shared premises	(15)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(9)(b)	Rule 2150	R. 2157 Shared premises	(16)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(9)(b)(vii)	Rule 2150	R. 2157 Shared premises	(17)	
Rule 2400: Relationship between Dealer Member & Financial Service Entities (Policy 1)	Minimum Standards for Shared Premises	(10)	Rule 2150	R. 2157 Shared premises	(18)	
New Provision			Rule 2150	R. 2158. - 2199. Reserved		[**New - Non-substantive** - Reserved sections]
New Provision			Rule 2200	R. 2201 Introduction	(1)	[**New – Non-substantive** - Introductory provision added.]
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.04		Rule 2200	R. 2202 Notice of intention to resign	(1)	
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.06		Rule 2200	R. 2202 Notice of intention to resign	(1)	
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.02		Rule 2200	R. 2203 Filing letter of resignation	(1)	[**Amended – Substantive** – Remove requirement for Dealer Member to state reasons for resigning.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.03		Rule 2200	R. 2204 Acquisition and resignation	(1)	[**Amended – Substantive** – Remove specific requirement for amalgamated Dealer Member to demonstrate solvency as there is a specific requirement elsewhere that applies to all Dealer Members.]
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.03	A	Rule 2200	R. 2205 Amalgamation of Dealer Members	(1)	
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.03	AA	Rule 2200	R. 2206 Amalgamation with non-Dealer Member	(1)	
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.05		Rule 2200	R. 2207 Effective date of resignation	(1)	[**Amended – Substantive** – Remove specific requirement that resignation take place at "close of business" and add requirement for IIROC to publish a resignation notice.]
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.07		Rule 2200	R. 2208 Payment of Corporation fees	(1)	
Rule 0031: Inactive Status	31.01 through 31.04		Rule 2200	R. 2209 Inactive members	(1) through (4)	
Rule 0600: Suspended Members	600.01 and 600.02		Rule 2200	R. 2210 Suspension of membership		[**Amended – Substantive –** Amended to

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0008: Dealer Member Resignations, Amalgamations, Etc.	8.08		Rule 2200	R. 2211 Termination of membership	(1)-(2)	allow both termination and suspension of Dealer Members under a broader set of circumstance, subject to granting the affected Dealer Member an opportunity to be heard.]
New Provision			Rule 2200	R. 2212. - 2249. Reserved		[**New - Non-substantive** - Reserved sections]
New Provision			Rule 2250	R. 2251 Introduction	(1)	[**New – Non-substantive** - Introductory provision added.]
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.12	1st 3 lines, to end of (i)	Rule 2250	R. 2252 Dealer Member's notice of changes to Corporation	(1)(i)-(iii)	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.12	(ii)	Rule 2250	R. 2252 Dealer Member's notice of changes to Corporation	(1)(iv)	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.12	2nd sentence	Rule 2250	R. 2253 Corporation informs Dealer Member about review when necessary	(1)	
Rule 0017: Dealer Member Minimum Capital, Conduct of Business & Insurance	17.12	3rd sentence	Rule 2250	R. 2254 District Council review of proposed changes	(1)	
New Provision			Rule 2250	R. 2255. - 2299. Reserved		[**New - Non-substantive** - Reserved sections]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2300	R. 2301 Introduction	(1)	[**New – Non-substantive** - Introductory provision added.]
Rule 0004: Branch Office Dealer Members, Branch Offices & Sub-Branch Offices	4.01		Rule 2300	R. 2302 Branch Office Members	(1)	
Rule 0004: Branch Office Dealer Members, Branch Offices & Sub-Branch Offices	4.03, 4.04 and 4.05		Rule 2300	R. 2303 Branch Office Member's representation	(1)	
Rule 0004: Branch Office Dealer Members, Branch Offices & Sub-Branch Offices	4.02		Rule 2300	R. 2304 Fees	(1)	
New Provision			Rule 2300	R. 2305. - 2349. Reserved		[**New - Non-substantive** - Reserved sections]
New Provision			Rule 2350	R. 2351 Introduction	(1)	[**New – Non-substantive** - Introductory provision added.]
Rule 0029: Business Conduct	29.07	A(1)	Rule 2350	R. 2352 Trade names	(2)	
Rule 0029: Business Conduct	29.07	A(2)	Rule 2350	R. 2352 Trade names	(3)	
Rule 0029: Business Conduct	29.07	A(5)	Rule 2350	R. 2352 Trade names	(4)	
Rule 0029: Business Conduct	29.07	A(8)	Rule 2350	R. 2352 Trade names	(5)	
Rule 0029: Business Conduct	29.07	A(3)	Rule 2350	R. 2353 Corporation notification	(1)(i)	
Rule 0029: Business Conduct	29.07	A(4)	Rule 2350	R. 2353 Corporation notification	(1)(ii)	
Rule 0029: Business Conduct	29.07	A(9)	Rule 2350	R. 2353 Corporation notification	(2)	
Rule 0029: Business Conduct	29.07	A(6)	Rule 2350	R. 2354 Displaying the full legal name	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0029: Business Conduct	29.07	A(7)	Rule 2350	R. 2354 Displaying the full legal name	(1)-(2)	
Rule 0029: Business Conduct	29.14	(b)	Rule 2350	R. 2355 Compliance with Disclosure Policy of the Canadian Investor Protection Fund (CIPF)	(1)	
Rule 0700: Use of Name or Logo	700.01	name part	Rule 2350	R. 2356 Use of Corporation name and logo	(1)	
Rule 0700: Use of Name or Logo	700.01	last part of 1st paragraph	Rule 2350	R. 2356 Use of Corporation name and logo	(2)	
Rule 0700: Use of Name or Logo	700.01	2nd paragraph	Rule 2350	R. 2356 Use of Corporation name and logo	(3)	
Rule 0700: Use of Name or Logo	700.01	1st paragraph middle part	Rule 2350	R. 2356 Use of Corporation name and logo	(4)	
Rule 0022: Use of Name or Logo: Liabilities: Claims	22.01	middle part	Rule 2350	R. 2357 Corporation governance of its name and logo	(1)	
Rule 0022: Use of Name or Logo: Liabilities: Claims	22.01	last sentence	Rule 2350	R. 2357 Corporation governance of its name and logo	(5)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0700: Use of Name or Logo	700.01	1st part of 1st paragraph & last paragraph	Rule 2350	R. 2357 Corporation governance of its name and logo	(2) and (4)	[**Amended - Non-substantive –** provisions regarding use of IIROC name and logo on new issues has been removed and replaced with a general provision prohibiting misleading or confusing use of IIROC name and logo]
Rule 0700: Use of Name or Logo	700.01	last paragraph	Rule 2350	R. 2357 Corporation governance of its name and logo	(3)	
New Provision			Rule 2350	R. 2358. - 2399. Reserved		[**New - Non-substantive** - Reserved sections]
New Provision			Rule 2400	R. 2401 Introduction	(1)	[**New – Non-substantive** - Introductory provision added.]
Rule 0039: Principal & Agent	39.01					[**Repealed – Non-substantive –** The deeming of agents being equivalent to employees for the purposes of the rule is now included in the definitions.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	39.02					[**Repealed – Non-substantive –** A separate proposal to repeal the definition of "securities related business" is currently awaiting CSA approval.]
Rule 0039: Principal & Agent	39.03		Rule 2400	R. 2402 Principal and agent relationships	(1)-(2)	
Rule 0039: Principal & Agent	39.04	(o)	Rule 2400	R. 2403 Written agreement between the Dealer Member and the Corporation	(1)-(2)	
Rule 0039: Principal & Agent	39.04	(p)	Rule 2400	R. 2403 Written agreement between the Dealer Member and the Corporation	(3)	
Rule 0039: Principal & Agent	39.04	(n)	Rule 2400	R. 2404 Written agreement between the Dealer Member and its agents	(1)-(5)	
Rule 0039: Principal & Agent	39.04	(p)	Rule 2400	R. 2404 Written agreement between the Dealer Member and its agents	(3)	
Rule 0039: Principal & Agent	39.04	(q)	Rule 2400	R. 2404 Written agreement between the Dealer Member and its agents	(6)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	Appendix B	Recitals (A)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(1)(i)	
Rule 0039: Principal & Agent	Appendix B	Recitals (B)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(1)(ii)	
Rule 0039: Principal & Agent	Appendix B	Recitals (B)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(1)(iii)	
Rule 0039: Principal & Agent	Appendix B	(2)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(2)(i)-(ii)	
Rule 0039: Principal & Agent	Appendix B	(1)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(3)	
Rule 0039: Principal & Agent	Appendix B	(3)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(1)	
Rule 0039: Principal & Agent	Appendix B	(4)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(4)	
Rule 0039: Principal & Agent	Appendix B	(7)				[**Repealed – Non-substantive –** This grandfathering provision is obsolete.]
Rule 0039: Principal & Agent	Appendix B	(6)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(5)	
Rule 0039: Principal & Agent	Appendix B	(5)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(6)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	Appendix B	(8)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(7)	
Rule 0039: Principal & Agent	Appendix B	(9)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix A	(8)	
Rule 0039: Principal & Agent	39.04	(a)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(1)	
Rule 0039: Principal & Agent	39.04	(q)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(1)	
Rule 0039: Principal & Agent	Appendix A	(1)				[**Repealed – Non-substantive –** These definitions are unnecessary]
Rule 0039: Principal & Agent	Appendix A	(2)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(2)	
Rule 0039: Principal & Agent	39.04	(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(3)	
Rule 0039: Principal & Agent	Appendix A	(3)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(3)	
Rule 0039: Principal & Agent	39.04	(j)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(4)(i)	
Rule 0039: Principal & Agent	Appendix A	(4)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(4)(i)-(ii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	39.04	(k)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(4)(ii)	
Rule 0039: Principal & Agent	39.04	(c)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(i)	
Rule 0039: Principal & Agent	39.04	(e)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(i)	
Rule 0039: Principal & Agent	Appendix A	(5)(a)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(i)	
Rule 0039: Principal & Agent	39.04	(d)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(ii)	
Rule 0039: Principal & Agent	Appendix A	(5)(e)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(5)(ii)	
Rule 0039: Principal & Agent	Appendix A	(5)(d)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(6)	
Rule 0039: Principal & Agent	Appendix A	(5)(f)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(7)	
Rule 0039: Principal & Agent	39.04	(i)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(7)(i)	
Rule 0039: Principal & Agent	Appendix A	(4)(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	39.04	(l)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(ii)	
Rule 0039: Principal & Agent	Appendix A	(5)(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(ii)	
Rule 0039: Principal & Agent	39.04	(m)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(iii)	
Rule 0039: Principal & Agent	Appendix A	(5)(c)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(8)(iii)	
Rule 0039: Principal & Agent	39.04	(h)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(9)	
Rule 0039: Principal & Agent	Appendix A	(7)(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(9)	
Rule 0039: Principal & Agent	39.04	(g)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(10)	
Rule 0039: Principal & Agent	Appendix A	(6)(a)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(10)(i)	
Rule 0039: Principal & Agent	Appendix A	(6)(b)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(10)(ii), (iii) and (iv)	
Rule 0039: Principal & Agent	Appendix A	(7)(a)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(10)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0039: Principal & Agent	39.04	(f)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(11)	
Rule 0039: Principal & Agent	Appendix A	(6)(c)	Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(11)	
New Provision			Rule 2400	R. 2400 Principal and Agent Relationships - Appendix B	(12)	[**New – Non-substantive** - Transition provision]
New Provision			Rule 2400	R. 2405. - 2449. Reserved		[**New - Non-substantive** - Reserved sections]
New Provision			Rule 2450	R. 2451 Introduction	(1)	[**New – Non-substantive** - Introductory provision added.]
New Provision			Rule 2450	R. 2452. - 2459. Reserved		[**New - Non-substantive** - Reserved sections]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(a)(iii)	Rule 2450	R. 2460 Definitions - "Canadian financial institution"	(1)	
New Provision			Rule 2450	R. 2460 Definitions – "Canadian registered firm"	(2)	[**New - Substantive** – Adoption of term “Canadian registered firm” to accurately describe the population of other domestic firms with which an arrangement could be executed.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2460 Definitions - "clearing arrangement"	(3)	[**New - Substantive** – Adoption of term "clearing arrangement" provides greater clarity as to which services provided in combination comprise a clearing arrangement.]
New Provision			Rule 2450	R. 2460 Definitions - "introducing broker / carrying broker arrangement"	(4)	[**New - Substantive** – Adoption of term "introducing broker / carrying broker arrangement" provides greater clarity as to which services provided in combination comprise an introducing broker / carrying broker arrangement.]
New Provision			Rule 2450	R. 2461. - 2469. Reserved		[**New - Non-substantive** - Reserved sections]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(ii)	Rule 2450	R. 2470 Arrangements between two Dealer Members - Arrangements that may be executed	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(ii)	Rule 2450	R. 2470 Arrangements between two Dealer Members - Arrangements that may be executed	(1)(ii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(v)	Rule 2450	R. 2470 Arrangements between two Dealer Members - Arrangements that may be executed	(1)(iii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(ii)	Rule 2450	R. 2471 Arrangements between two Dealer Members – Additional conditions that apply to an introducing broker under a Type 1 Arrangement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)1st sentence	Rule 2450	R. 2471 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 1 Arrangement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iii)	Rule 2450	R. 2471 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 1 Arrangement	(1)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iv)	Rule 2450	R. 2471 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 1 Arrangement	(1)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(ii)	Rule 2450	R. 2472 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 2 Arrangement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)1st sentence	Rule 2450	R. 2472 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 2 Arrangement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iii)	Rule 2450	R. 2472 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 2 Arrangement	(1)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iv)	Rule 2450	R. 2472 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under a Type 2 Arrangement	(1)(iii)	[**Amended – Non-substantive -** Implied by Rule 35.1(e)(iv) since only Type 1 Arrangements are mentioned.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(iv)	Rule 2450	R. 2473 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement	(1)(i)	[**Amended – Non-substantive -** Implied by Rule 35.1(e)(iv) since only Type 1 Arrangements are mentioned.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(v)	Rule 2450	R. 2473 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement	(1)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(v)	Rule 2450	R. 2473 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement	(1)(iii)	
New Provision			Rule 2450	R. 2473 Arrangements between two Dealer Members - Additional conditions that apply to an introducing broker under either a Type 3 or a Type 4 Arrangement	(1)(iv)	[**New - Substantive** - Consistent with original rule concept that introduced clients should not be reported on the books of two different brokers.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(i)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)2nd sentence	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(i)-(iv)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(f)	Rule 2450			[**Repealed - Non-substantive** - Clause is no redundant since only IIROC Dealer Members are participating institutions in CIPF]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(g)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(g)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(h)	Rule 2450			[**Repealed – Non-substantive -** Clause to allow general exemption from the requirements of the Rule has been repealed. Ability to obtain exemptions will be dealt with through a general exemptions rule.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(b)(i)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(iv)	[**Amended - Substantive** - Rules 35.1(b)(i) and 35.1(e)(i) have been amended to require Corporation approval of an introducing broker / carrying broker arrangement rather than applicable District Council approval.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(b)(ii)	Rule 2450			[**Repealed - Non-substantive** - Clause is now redundant since only IIROC Dealer Members are participating institutions in CIPF]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(e)(i)	Rule 2450	R. 2474 Arrangements between two Dealer Members - Requirement for an agreement	(1)(iv)	[**Amended - Substantive** - Rules 35.1(b)(i) and 35.1(e)(i) have been amended to require Corporation approval of an introducing broker / carrying broker arrangement rather than applicable District Council approval.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	opening paragraph	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement	opening paragraph	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(a)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Minimum capital requirement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(b)(ii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(b)(i)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(b)(ii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)(b)	[**Amended - Substantive** - Rule 35.2(b)(ii) has been clarified to specify how carrying broker margin on any settlement date equity deficiency amounts is to be determined. Language has been made consistent for Types 1 through 4.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(c)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(d)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Reporting client balances	(5)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(e)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Net client balances / funding	(6)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(f)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(f)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(b)	
New Provision			Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(c)	[**New – Substantive** – Reflects current carrying broker practice for the reporting of deposits received from the introducing broker.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(c)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(a)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(f)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(f)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(g)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Concentration calculations	(8)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(h)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Segregating client securities	(9)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(i)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Free credit segregation	(10)(i)	
New Provision			Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(I)	[**New - Substantive -** To make consistent with current requirements for Type 3 and 4 Arrange-ments.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iv)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(II)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(i)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(ii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iv)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(c)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(I)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iv)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(i)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(ii)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(j)(iv)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(c)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(k)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Client account opening required disclosure	(13)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(k)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Client account opening required disclosure	(13)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(l)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Parties to margin and guarantee documents	(14)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(l)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(m)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Clients introduced to the carrying broker	(16)(i)	[**Amended - Substantive –** Existing Rule 35.2(m) language clarified to indicate that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client are split between two dealers.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(n)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Compliance with non-financial requirements	(17)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(o)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Handling client cash	(18)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(o)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Handling client cash	(18)(ii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(o)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Handling client cash	(18)(iii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(p)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Reporting of introducing broker principal positions	(19)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.02	(p)	Rule 2450	R. 2475 Arrangements between two Dealer Members - Type 1 Arrangement - Reporting of introducing broker principal positions	(19)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	opening paragraph	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement	opening paragraph	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(a)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Minimum capital requirement	(1)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(b)(ii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(b)(i)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(b)(ii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)(b)	[**Amended - Substantive** - Rule 35.3(b)(ii) has been clarified to specify how carrying broker margin on any settlement date equity deficiency amounts is to be determined. Language has been made consistent for Types 1 through 4.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(c)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(d)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Reporting client balances	(5)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(e)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Net client balances / funding	(6)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(f)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(f)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(b)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(c)	[**New – Substantive** – Reflects current carrying broker practice for the reporting of deposits received from the introducing broker.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(c)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(a)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(f)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(f)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)(b)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(g)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Concentration calculations	(8)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(h)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Segregating client securities	(9)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(i)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Free credit segregation	(10)(i)	
New Provision			Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(I)	[**New - Substantive -** To make consistent with current requirements for Type 3 and 4 Arrange-ments.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iv)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(II)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(i)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(ii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iv)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(c)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(I)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iv)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(i)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(ii)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(j)(iv)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(c)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(k)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Client account opening required disclosure	(13)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(k)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Client account opening required disclosure	(13)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(l)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Parties to margin and guarantee documents	(14)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(l)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Disclosure on contracts, statements and correspon-dence	(15)(i)(a)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(m)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Disclosure on contracts, statements and correspon-dence	(15)(i)(b)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(m)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Disclosure on contracts, statements and correspon-dence	(15)(i)(b)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(n)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Clients introduced to the carrying broker	(16)(i)	[**Amended - Substantive –** Existing Rule 35.3(n) language clarified to indicate that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client are split between two dealers.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(o)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Compliance with non-financial requirements	(17)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(p)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Handling client cash	(18)(i) to (ii)	[**Amended - Substantive** - The cash handling requirements have been amended for Type 2 Arrangements to prohibit the introducing broker from handling client cash in the form of money and to require that any cheques provided to the introducing broker be in the name of the carrying broker.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(q)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Reporting of introducing broker principal positions	(19)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.03	(q)	Rule 2450	R. 2476 Arrangements between two Dealer Members - Type 2 Arrangement - Reporting of introducing broker principal positions	(19)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	opening paragraph	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement	opening paragraph	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(a)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Minimum capital requirement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(b)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)(a)	
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)(b)	[**New – Non-substantive -** Clarification of Rule 35.4(b) to specify that introducing broker must provide margin for client accounts.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)	[**New – Substantive** - Implied by Rule 35.4(b) but clarified to specify how carrying broker margin on any settlement date equity deficiency amounts is to be determined. Language has been made consistent for Types 1 through 4.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(c)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	[**New - Substantive -** To introduce requirement that carrying broker notify the introducing broker when a portion of any deposit amount is used. This is consistent with the current requirement for Type 1 and 2 Arrangements.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(d)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting client balances	(5)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(d)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting client balances	(5)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(d)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting client balances	(5)(iii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(e)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Net client balances / funding	(6)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(f)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(a)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(f)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(b)	
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(c)	[**New – Substantive** – Reflects current carrying broker practice for the reporting of deposits received from the introducing broker.]
New Provision			Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)	[**New - Substantive -** To make the deposit reporting requirements for introducing brokers consistent with current requirements for Type 1 and 2 Arrangements.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(g)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Concentration calculations	(8)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(h)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Segregating client securities	(9)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(i)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Free credit segregation	(10)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iii)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iv)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(II)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(i)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(ii)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iv)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(c)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iii)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(I)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iv)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(i)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(ii)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(j)(iv)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(c)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(k)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Client account opening required disclosure	(13)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(l)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Parties to margin and guarantee documents	(14)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(l)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(m)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)(b)(I)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(m)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Disclosure on contracts, statements and correspondence	(15)(i)(b)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(n)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Clients introduced to the carrying broker	(16)(i)	[**Amended - Substantive –** Existing Rule 35.4(n) language clarified to indicate that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client are split between two dealers.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(o)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Compliance with non-financial requirements	(17)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(p)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Handling client cash	(18)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(q)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting of introducing broker principal positions	(19)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.04	(q)	Rule 2450	R. 2477 Arrangements between two Dealer Members - Type 3 Arrangement - Reporting of introducing broker principal positions	(19)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	opening paragraph	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement	opening paragraph	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(a)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Minimum capital requirement	(1)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(b)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)(a)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Margin requirements to be provided by the introducing broker	(2)(i)(b)	[**New – Non-substantive** - Clarification of Rule 35.5(b) to specify that introducing broker must provide margin for client accounts.]
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Margin requirements to be provided by the carrying broker	(3)(i)	[**New - Substantive** - Implied by Rule 35.5(b) but clarified to specify how carrying broker margin on any settlement date equity deficiency amounts is to be determined. Language has been made consistent for Types 1 through 4.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(c)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Offsets of carrying broker margin requirements against deposits	(4)(i)	[**New - Substantive -** To introduce requirement that carrying broker notify the introducing broker when a portion of any deposit amount is used. This is consistent with the current requirement for Type 1 and 2 Arrange-ments.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(d)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting client balances	(5)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(d)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting client balances	(5)(ii)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(d)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting client balances	(5)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(e)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Net client balances / funding	(6)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(f)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(f)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(b)	
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(i)(c)	[**New – Substantive** – Reflects current carrying broker practice for the reporting of deposits received from the introducing broker.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Deposits provided to the carrying broker by the introducing broker	(7)(ii)	[**New - Substantive** - To make the deposit reporting requirements for introducing brokers consistent with current requirements for Type 1 and 2 Arrange-ments.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(g)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Concentration calculations	(8)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(h)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Segregating client securities	(9)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(i)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Free credit segregation	(10)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iii)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(I)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iv)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(i)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(ii)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iv)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the introducing broker	(11)(i)(c)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iii)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iv)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(a)(II)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(i)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(ii)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(b)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(j)(iv)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Insurance coverage requirements of the carrying broker	(12)(i)(c)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(k)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Client account opening required disclosure	(13)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(l)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Parties to margin and guarantee documents	(14)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(l)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Parties to margin and guarantee documents	(14)(ii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(l)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Disclosure on contracts, statements and correspon-dence	(15)(i)(a)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(m)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Disclosure on contracts, statements and correspon-dence	(15)(i)(b)(I)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(m)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Disclosure on contracts, statements and correspon-dence	(15)(i)(b)(II)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(n)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Clients introduced to the carrying broker	(16)(i)	[**Amended - Substantive –** Existing Rule 35.5(n) language clarified to indicate that introduced clients are considered to be clients of both the introducing broker and the carrying broker since the services provided to the client are split between two dealers.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(o)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Compliance with non-financial requirements	(17)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(p)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Handling client cash	(18)(i)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(q)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting of introducing broker principal positions	(19)(i)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.05	(q)	Rule 2450	R. 2478 Arrangements between two Dealer Members - Type 4 Arrangement - Reporting of introducing broker principal positions	(19)(ii)	
New Provision			Rule 2450	R. 2479. - 2484. Reserved		[**New - Non-substantive** - Reserved sections]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(i)	[**New - Substantive** - Clarifies existing IIROC expectations that a foreign affiliate introduction arrangement must be an arrangement type that is permitted between two IIROC Dealer Members.]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(ii)	[**New - Substantive** - Codifies existing IIROC expectations that an affiliate agreement should with the applicable IIROC requirements that apply to the type of arrangement.]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iii)(a)	[**New - Substantive** - Written to be consistent with written agreement requirements set out in 2474((1)(i)]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iii)(b)	[**New - Substantive** - Written to be consistent with written agreement requirements set out in 2474((1)(ii)]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iii)(c)	[**New - Substantive** - Written to be consistent with written agreement requirements set out in 2474((1)(iii)]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	opening paragraph	Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iii)(d)	[**Amended - Substantive** - Rule has been modified to no longer require that the Dealer Member apply for an exemption. The Dealer Member will now require Corporation approval only for the permitted arrangement with a foreign affiliate. Language is consistent with written agreement requirements set out in 2474((1)(iv).]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(a)	Rule 2450			[**Repealed – Non-substantive -** Clause to provide satisfactory evidence to IIROC of the proposed arrangement is redundant since IIROC must approve the arrangement.]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(iv]	[**New - Substantive** - New requirement that foreign affiliated dealer must be a regulated entity. Codifies existing IIROC expectations that the foreign dealer must be subject to satisfactory regulatory oversight.]
New Provision			Rule 2450	R. 2485 Arrangements that may be executed with a foreign affiliate	(1)(v)	[**New – Non-substantive** - Cross references to other requirements. Not a material change itself.]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(b)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Annual disclosure requirement	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(c)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Foreign jurisdiction approval	(2)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(d)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Responsibility for compliance	(3)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(e)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Reporting balances	(4)	
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(f)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Segregating securities	(5)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.06	(g)	Rule 2450	R. 2486 Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer - Insurance	(6)	
New Provision			Rule 2450	R. 2487. - 2489. Reserved		[**New - Non-substantive** - Reserved sections]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(d)	Rule 2450	R. 2490 Certain arrangements executed with a Canadian financial institution affiliate	(1)(i) through (iii)	
New Provision			Rule 2450	R. 2491 Certain arrangements with other dealers	(1)(i) and (ii)	[**New - Substantive -** Clarifies that clearing arrangements involving DAP and RAP accounts are not introducing broker / carrying broker arrange-ments.]
New Provision			Rule 2450	R. 2492. - 2494. Reserved		[**New - Non-substantive** - Reserved sections]
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(c)(i)	Rule 2450	R. 2495 Prohibited introducing broker / carrying broker arrangements	(1)	[**Amended - Substantive -** Rule 35.1(c)(i) has been amended to accommodate foreign affiliate dealer arrange-ments.]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0035: Introducing Broker / Carrying Broker Arrangements	35.01	(c)(ii)	Rule 2450			[**Repealed - Non-substantive -** Clause is no redundant since only IIROC Dealer Members are participating institutions in CIPF]
New Provision			Rule 2450	R. 2496. - 2499. Reserved		[**New - Non-substantive** - Reserved sections]
New Provision			Rule 2500	R. 2501 Introduction	(1)	[**New – Non-substantive** - Introductory provision added.]
Rule 0007: Dealer Member Partners, Directors & Officers	7.03	(a)	Rule 2500	R. 2502 General requirements for directors	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.03	(b)	Rule 2500	R. 2502 General requirements for directors	(2)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.04	(a)	Rule 2500	R. 2503 General requirements for executives	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.04	(b)	Rule 2500	R. 2503 General requirements for executives	(2)	
Rule 0007: Dealer Member Partners, Directors & Officers	38.06	(a)	Rule 2500	R. 2504 Chief Financial Officer	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	38.06	(b)	Rule 2500	R. 2504 Chief Financial Officer	(2)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(a)	Rule 2500	R. 2505 Chief Compliance Officer	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(b)	Rule 2500	R. 2505 Chief Compliance Officer	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0038: Responsibilities of CCO & UDP	38.07	(c)	Rule 2500	R. 2505 Chief Compliance Officer	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(f)	Rule 2500	R. 2505 Chief Compliance Officer	(2)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(a)	Rule 2500	R. 2506 Ultimate Designated Person	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(b)(i)	Rule 2500	R. 2506 Ultimate Designated Person	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(b)(iii)	Rule 2500	R. 2506 Ultimate Designated Person	(1)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(b)(ii)	Rule 2500	R. 2506 Ultimate Designated Person	(2)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.05		Rule 2500	R. 2507 Exemption	(1)	
New Provision			Rule 2500	R. 2508. - 2549. Reserved		[**New - Non-substantive** - Reserved sections]
New Provision			Rule 2550	R. 2551 Introduction	(1) and (2)	[**New – Non-substantive** - Introductory provision added.]
Rule 0018: Registered Representatives & Investment Representatives	18.02	(a)	Rule 2550	R. 2552 Individual approval	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.02		Rule 2550	R. 2552 Individual approval	(1)	
New Provision			Rule 2550	R. 2552 Individual approval	(2)	[**Amended – Non-substantive -** Added list of registration categories]

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2550	R. 2552 Individual approval	(3)	[**Amended – Non-substantive -** Added clarification that only directors, executives, employees, and agents of Dealer Members can be approved persons]
Rule 0018: Registered Representatives & Investment Representatives	18.02	(a)	Rule 2550	R. 2552 Individual approval	(4)	
New Provision			Rule 2550	R. 2552 Individual approval	(5)	[**Amended – Non-substantive -** Added clarification that Dealer Member must ensure individuals comply with registration category requirements]
Rule 0007: Dealer Member Partners, Directors & Officers	7.08		Rule 2550	R. 2552 Individual approval	(6)	
Rule 0018: Registered Representatives & Investment Representatives	18.02	(a)	Rule 2550	R. 2552 Individual approval	(6)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.09		Rule 2550	R. 2552 Individual approval	(7)	
Rule 0018: Registered Representatives & Investment Representatives	18.18		Rule 2550	R. 2552 Individual approval	(7)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.07		Rule 2550	R. 2552 Individual approval	(8)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0018: Registered Representatives & Investment Representatives	18.15		Rule 2550	R. 2552 Individual approval	(8)	
Rule 0038: Responsibilities of CCO & UDP	38.03	(a)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(1)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.02		Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(2)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.02		Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(3)	
Rule 0038: Responsibilities of CCO & UDP	38.06	(a)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(4)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(a)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(5)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(b)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(5)	
Rule 0038: Responsibilities of CCO & UDP	38.07	(e)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(5)	
Rule 0038: Responsibilities of CCO & UDP	38.05	(a)	Rule 2550	R. 2553 Approval of supervisors, directors, and executives	(6)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0018: Registered Representatives & Investment Representatives	18.02	(a)	Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(1)	
Rule 0018: Registered Representatives & Investment Representatives	18.03		Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(1)	
Rule 0018: Registered Representatives & Investment Representatives	18.04		Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(2)	
Rule 0018: Registered Representatives & Investment Representatives	18.07	(d)	Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(2)	
Rule 0018: Registered Representatives & Investment Representatives	18.02	(b)	Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(3)	
Rule 0018: Registered Representatives & Investment Representatives	18.02	(c)	Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(3)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0018: Registered Representatives & Investment Representatives	18.07	(a)	Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(4)	
Rule 0018: Registered Representatives & Investment Representatives	18.07	(b)	Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(4)	
Rule 0018: Registered Representatives & Investment Representatives	18.07	(c)	Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(4)	
Rule 0018: Registered Representatives & Investment Representatives	18.14		Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(5)	
Rule 0018: Registered Representatives & Investment Representatives	18.16		Rule 2550	R. 2554 Approval of registered representa-tives and investment representa-tives and their obligations	(6)	
Rule 0007: Dealer Member Partners, Directors & Officers	7.06	(a)	Rule 2550	R. 2555 Person owning or controlling more than 10% of Dealer Member's voting shares	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0007: Dealer Member Partners, Directors & Officers	7.06	(b)	Rule 2550	R. 2555 Person owning or controlling more than 10% of Dealer Member's voting shares	(2)	
Rule 0500: Traders	500.01		Rule 2550	R. 2556 Trader	(1)	
Rule 0500: Traders	500.02		Rule 2550	R. 2556 Trader	(1)	
New Provision			Rule 2550	R. 2557. - 2599. Reserved		[**New - Non-substantive** - Reserved sections]
Rule 2900: Proficiency and Education	Part I	Introduction	Rule 2600	R. 2601 Introduction	(1)	
New Provision			Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)	[**Amended – Non-substantive -** Added clarification requiring compliance with education provisions in chart form]
Rule 2900: Proficiency and Education	Part I	(A)(1)(a)(i)-(ii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(i)	
Rule 2900: Proficiency and Education	Part I	(A)(2)(a)(iii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(i)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(a)(iii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(ii)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(a)(iv)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part I	(A)(1)(a)(v)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(iv)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(b)(i)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(v)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(b)(ii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(vi)	
Rule 2900: Proficiency and Education	Part I	(A)(1)(b)(iii)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(vii)	
Rule 2900: Proficiency and Education	Part I	(A)(2)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(viii)	
Rule 2900: Proficiency and Education	Part I	(A)(2)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(ix)	
Rule 2900: Proficiency and Education	Part I	(A)(2A)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(x)	
Rule 2900: Proficiency and Education	Part I	(A)(2B)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xi)	
Rule 2900: Proficiency and Education	Part I	(A)(3)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xii)	
Rule 2900: Proficiency and Education	Part I	(A)(3)(a)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xiii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part I	(A)(8)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xiv)	
Rule 2900: Proficiency and Education	Part I	(A)(8)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xv)	
Rule 2900: Proficiency and Education	Part I	(A)(7)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xvi)	
Rule 2900: Proficiency and Education	Part I	(A)(7)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xvii)	
Rule 2900: Proficiency and Education	Part I	(A)(3)(a)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xviii)	
Rule 2900: Proficiency and Education	Part I	(A)(8)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xix)	
Rule 2900: Proficiency and Education	Part I	(A)(7)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xx)	
Rule 2900: Proficiency and Education	Part I	(A)(4)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxi)	
Rule 2900: Proficiency and Education	Part I	(A)(6)(6.1)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxii)	
Rule 2900: Proficiency and Education	Part I	(A)(6)(6.2)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxiii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part I	(A)(5)(a)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxiv)	
Rule 2900: Proficiency and Education	Part I	(A)(5)(b)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxv)	
Rule 0007: Dealer Member Directors and Executives	7.06	(b)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxvi)	
Rule 2900: Proficiency and Education	Part I	(A)(2)	Rule 2600	R. 2602 Proficiency requirements for approved persons	(1)(xxvi)	
Rule 2900: Proficiency and Education	Part I	(B)	Rule 2600	R. 2603 General and discretionary exemptions	(1)	
Rule 2900: Proficiency and Education	Part I	(B)	Rule 2600	R. 2603 General and discretionary exemptions	(2)	
Rule 0020: Corporation Hearing Process	20.24		Rule 2600	R. 2603 General and discretionary exemptions	(2)	
Rule 2900: Proficiency and Education	Part II	Introduction	Rule 2600	R. 2604 Exemptions from writing the required courses	(1)	
Rule 2900: Proficiency and Education	Part II	(B)(1)	Rule 2600	R. 2604 Exemptions from writing the required courses	(1)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2600	R. 2604 Exemptions from writing the required courses	(2)	[**Amended – Non-substantive -** Added clarification requiring compliance with education exemption provisions in chart form]
Rule 2900: Proficiency and Education	Part II	(B)(2)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(i)	
Rule 2900: Proficiency and Education	Part II	(B)(3)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(ii)	
Rule 2900: Proficiency and Education	Part II	(B)(4)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(iii)	
Rule 2900: Proficiency and Education	Part II	(B)(5)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(iv)	
Rule 2900: Proficiency and Education	Part II	(B)(6)	Rule 2600	R. 2604 Exemptions from writing the required courses	(2)(v)	
Rule 2900: Proficiency and Education	Part II	Introduction	Rule 2600	R. 2605 Exemptions from rewriting courses	(1)	
Rule 2900: Proficiency and Education	Part II	(A)(1)-(2)	Rule 2600	R. 2605 Exemptions from rewriting courses	(2)-(5)	
Rule 2900: Proficiency and Education	Part II	(A)(3)(a)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(i)	
Rule 2900: Proficiency and Education	Part II	(A)(3)(b)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(ii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part II	(A)(4)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(iii)	
Rule 2900: Proficiency and Education	Part II	(A)(4)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(iv)	
Rule 2900: Proficiency and Education	Part II	(A)(9)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(ix)	
Rule 2900: Proficiency and Education	Part II	(A)(5)(a)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(v)	
Rule 2900: Proficiency and Education	Part II	(A)(5)(b)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(vi)	
Rule 2900: Proficiency and Education	Part II	(A)(6)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(vii)	
Rule 2900: Proficiency and Education	Part II	(A)(7)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(viii)	
Rule 2900: Proficiency and Education	Part II	(A)(8)	Rule 2600	R. 2605 Exemptions from rewriting courses	(5)(x)	
New Provision			Rule 2600	R. 2606. - 2649. Reserved		[**New - Non-substantive** - Reserved sections]
Rule 2900: Proficiency and Education	Part III	(B) first paragraph	Rule 2650	R. 2651 Introduction	(1)	
Rule 2900: Proficiency and Education	Part III	(H)(3)	Rule 2650	R. 2651 Introduction	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
New Provision			Rule 2650	R. 2652 General CE program description	(1)	[**Amended – Non-substantive -** Added general description of compliance and professional development components to CE]
Rule 2900: Proficiency and Education	Part III	Introduction	Rule 2650	R. 2652 General CE program description	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, Introduction, 4th paragraph	Rule 2650	R. 2652 General CE program description	(3)	
Rule 2900: Proficiency and Education	Part III	The Compliance Course (A)(5)	Rule 2650	R. 2652 General CE program description	(3)	
Rule 2900: Proficiency and Education	Part III	(B)	Rule 2650	R. 2653 Continuing education requirements	(1)	
Rule 2900: Proficiency and Education	Schedule I		Rule 2650	R. 2653 Continuing education requirements	(1)	
New Provision			Rule 2650	R. 2653 Continuing education requirements	(2)	[**Amended – Non-substantive -** Added clarification that registrants in multiple categories must comply with CE requirements of the most demanding category]
Rule 2900: Proficiency and Education	Part III	(C)	Rule 2650	R. 2653 Continuing education requirements	(3)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	(J)	Rule 2650	R. 2654 The compliance course	(1)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(2)	Rule 2650	R. 2654 The compliance course	(1)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(4)	Rule 2650	R. 2654 The compliance course	(1)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (C)(1)	Rule 2650	R. 2654 The compliance course	(1)	
Rule 2900: Proficiency and Education	Part III	(J)(1) first sentence	Rule 2650	R. 2654 The compliance course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(1)	Rule 2650	R. 2654 The compliance course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (B)(1)	Rule 2650	R. 2654 The compliance course	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (B)(2)	Rule 2650	R. 2654 The compliance course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(6)	Rule 2650	R. 2654 The compliance course	(3)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(7)	Rule 2650	R. 2654 The compliance course	(3)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (B)(4)	Rule 2650	R. 2654 The compliance course	(3)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(7)	Rule 2650	R. 2654 The compliance course	(4)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (A)(9)	Rule 2650	R. 2654 The compliance course	(4)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Compliance Course (C)(4)	Rule 2650	R. 2654 The compliance course	(5)	
Rule 2900: Proficiency and Education	Part III	(K)	Rule 2650	R. 2655 The professional development course	(1)	
Rule 2900: Proficiency and Education	Part III	(K)(1)	Rule 2650	R. 2655 The professional development course	(2)	
Rule 2900: Proficiency and Education	Part III	(L)(2)	Rule 2650	R. 2655 The professional development course	(2)	
Rule 2900: Proficiency and Education	Part III	(L)(4)	Rule 2650	R. 2655 The professional development course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Professional Developme nt Course (B)(2)	Rule 2650	R. 2655 The professional development course	(2)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Professional Developme nt Course (A)(7)	Rule 2650	R. 2655 The professional development course	(3)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Professional Developme nt Course (A)(8)	Rule 2650	R. 2655 The professional development course	(3)	
Rule 2900: Proficiency and Education	Part III	Guidelines for the Continuing Education Program, The Professional Developme nt Course (A)(10)	Rule 2650	R. 2655 The professional development course	(3)	
Rule 2900: Proficiency and Education	Part III	(K)(3)	Rule 2650	R. 2655 The professional development course	(4)	
Rule 2900: Proficiency and Education	Part III	(H)(1)	Rule 2650	R. 2656 Dealer Member's administration of CE program	(1)	
Rule 2900: Proficiency and Education	Part III	(H)(3)	Rule 2650	R. 2656 Dealer Member's administration of CE program	(1)	
Rule 2900: Proficiency and Education	Part III	(I)	Rule 2650	R. 2656 Dealer Member's administration of CE program	(2)	
Rule 2900: Proficiency and Education	Part III	(D) first paragraph	Rule 2650	R. 2657 Participation of recently approved persons	(1)	
Rule 2900: Proficiency and Education	Part III	(D)(1)-(3)	Rule 2650	R. 2657 Participation of recently approved persons	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	(L)(3)	Rule 2650	R. 2657 Participation of recently approved persons	(3)	
Rule 2900: Proficiency and Education	Part III	(G)(1)	Rule 2650	R. 2658 Voluntary participation in the CE program	(1)	
Rule 2900: Proficiency and Education	Part III	(G)(2)	Rule 2650	R. 2658 Voluntary participation in the CE program	(2)	
Rule 2900: Proficiency and Education	Part III	(G)(5)	Rule 2650	R. 2658 Voluntary participation in the CE program	(3)	
Rule 2900: Proficiency and Education	Part III	(E)(1)	Rule 2650	R. 2659 Re-approval of former approved persons	(1)	
Rule 2900: Proficiency and Education	Part III	(E)(2)	Rule 2650	R. 2659 Re-approval of former approved persons	(2)	
Rule 2900: Proficiency and Education	Part III	(E)(3)	Rule 2650	R. 2659 Re-approval of former approved persons	(3)	
Rule 2900: Proficiency and Education	Part III	(F)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)	
Rule 2900: Proficiency and Education	Part III	(F)(1)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)(i)-(ii)	
Rule 2900: Proficiency and Education	Part III	(F)(2)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)(iii)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	(F)(4)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)(iv)	
Rule 2900: Proficiency and Education	Part III	(F)(3)	Rule 2650	R. 2660 Changes to Corporation category during a cycle	(1)(v)-(vi)	
Rule 2900: Proficiency and Education	Part III	(N)(1)	Rule 2650	R. 2661 Hardship extension of time to complete the program requirements	(1)	
Rule 2900: Proficiency and Education	Part III	(N)(2)	Rule 2650	R. 2661 Hardship extension of time to complete the program requirements	(2)	
Rule 2900: Proficiency and Education	Part III	(N)(3)(a)-(b)	Rule 2650	R. 2661 Hardship extension of time to complete the program requirements	(3)	
Rule 2900: Proficiency and Education	Part III	(N)(3)(c)	Rule 2650	R. 2661 Hardship extension of time to complete the program requirements	(4)	
Rule 2900: Proficiency and Education	Part III	(M)(1)	Rule 2650	R. 2662 Penalties for not completing the program requirements in a cycle	(1)	
Rule 2900: Proficiency and Education	Part III	(M)(3)	Rule 2650	R. 2662 Penalties for not completing the program requirements in a cycle	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 2900: Proficiency and Education	Part III	(M)(2)	Rule 2650	R. 2662 Penalties for not completing the program requirements in a cycle	(3)	
Rule 2900: Proficiency and Education	Part III	(M)(4)	Rule 2650	R. 2662 Penalties for not completing the program requirements in a cycle	(4)	
New Provision			Rule 2650	R. 2663. - 2699. Reserved		[**New - Non-substantive** - Reserved sections]
New Provision			Rule 2700	R. 2701 Introduction	(1) and (2)	[**New – Non-substantive** - Introductory provision added.]
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.02		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.03	(1)	Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(a),(i)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.04		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(b)-(c)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.05		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(d)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.06		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(e)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.07	(1)	Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(f)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.08		Rule 2700	R. 2702 Dealer Member obligations for the National Registration Database	(2)(g)-(h)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.11	(1)-(2)	Rule 2700	R. 2703 Temporary hardship exemption	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.11	(3)	Rule 2700	R. 2703 Temporary hardship exemption	(2)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.11	(4)	Rule 2700	R. 2703 Temporary hardship exemption	(3)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.12	(1)	Rule 2700	R. 2704 Due diligence and record keeping	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.12	(2)	Rule 2700	R. 2704 Due diligence and record keeping	(2)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.12	(3)	Rule 2700	R. 2704 Due diligence and record keeping	(3)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.12	(4)	Rule 2700	R. 2704 Due diligence and record keeping	(4)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.09	(1)	Rule 2700	R. 2705 Fees	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.03	(2)-(3)	Rule 2700	R. 2705 Fees	(2)	

Current rule number and title	Sub-section		New rule number	New section, title and description	Sub-Section	Comments
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.07	(4)-(5)	Rule 2700	R. 2705 Fees	(2)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.09	(1)-(2)	Rule 2700	R. 2705 Fees	(2)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.07	(2)	Rule 2700	R. 2706 Termination	(1)	
Rule 0040: Individual Approvals, Notifications and Fees and the National Registration Database	40.07	(3)	Rule 2700	R. 2707 Reinstatement of suspended approved persons	(1)	
New Provision			Rule 2700	R. 2708. - 2999. Reserved		[**New - Non-substantive** - Reserved sections]

Attachment D

GUIDANCE NOTE 2100-1

INVESTMENT IN A DEALER MEMBER – NOTIFICATION AND APPROVAL

This Guidance Note describes how to obtain Corporation approval for ownership of a Dealer Member or its holding company (other than those firms publicly owned).

Notification and Approval

The approval process for ownership of a Dealer Member or its holding company (other than those firms publicly owned) applies to:

(i) acquisitions of 10% or more of the Dealer Member or

(ii) 10% or more of the voting shares of the Dealer Member.

For smaller acquisitions (see immediately below), the Dealer Member must notify the Corporation by form or letter, as applicable, within 20 days before the transaction date.

Investment of less than 10% in a Dealer Member

If an investor wishes to make an investment of less than 10% in the ownership of a Dealer Member, the Dealer Member must:

(i) notify the Corporation Secretary using an Investor Notification Form, and

(ii) include with the form a shareholder schedule[1].

Subsequent purchases by the same investor require only a letter to the Corporation Secretary, along with the shareholder schedule, unless the purchase results in ownership of 10% or more of the Dealer Member. An application through the National Registration Database (NRD) is not required.

Investment of more than 10% in a Dealer Member

Section 2106 requires that a Dealer Member:

(i) obtain Corporation's approval for an investment of 10% or more in another Dealer Member;

(ii) submit an Investor Application Form, along with a shareholder schedule;

(iii) file an Initial Registration submission *Form 33-109F4 Registration of Individuals and Review of Permitted Individuals* [LINK] through NRD, unless the individual is already registered with a Dealer Member. In the latter case, the Dealer Member must submit a *33-109F2 Change or Surrender of Individual Categories [*LINK] for approval as an Investor; and

(iv) after the transaction is completed, submit an *Item 17 – Ownership of Securities and Derivatives Firms Change* submission through NRD.

The Dealer Member will receive approval both through NRD and the Corporation Secretary.

The Partners, Directors and Senior Officers Course (PDO) must be completed by:

(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;

(b) Any person other than a Director of a Dealer Member, 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.

[1] The shareholder schedule must show the number of shares owned (with percentages), both before and after the proposed transactions.

GUIDANCE NOTE 2150-1

GUARANTEES

Rule 2150, subsection 2154(3) requires a *Dealer Member* and its *related companies* to sign the Corporation *guarantee* form. The current *guarantee* form follows.

Uniform Guarantee by Dealer Members and Related Companies

By

		Guarantee amount as % of Regulatory Capital
Guarantors	_____	_____
	_____	_____
	_____	_____

To

Investment Industry Regulatory Organization of Canada on its own behalf and as trustee for Customers of the Dealer Members listed above.

Background

(a) The Guarantors are Dealer Members of a Participating Institution and *related companies* under the Institution Rules.

(b) The Rules require each Guarantor to guarantee each other's debts, liabilities, and obligations to their respective Customers for the amount and in the way this Guarantee describes.

(c) The Institution agrees to hold as bare trustee* the benefit of this Guarantee for the Customers and itself and for the Participating Institution for paragraphs 12 and 13 of this Guarantee.

(d) The amount of this Guarantee for each Guarantor is intended to be limited to reflect the direct or indirect ownership interest of a Guarantor or a Common Owner in each of the other Guarantors by applying the Guarantee Amount to the Regulatory Capital of each other Guarantor.

Definitions

Beneficiaries	**the Institution and its Customers**
CIPF/FCPE	Canadian Investor Protection Fund/Fonds canadien de protection des épargnants established under a May 1, 1969 Agreement and Declaration of Trust, as amended from time to time
Common Owner	the guarantor(s) and institution on the last page of this Guarantee who consent to its signing and delivery
Customer	for any Guarantor, the persons who are, or are identified as, eligible for protection by CIPF/FCPE (under its Agreement and Declaration of Trust and under any policies its Board of Governors adopts from time to time). The protection covers losses in accounts they hold as customers of the Guarantor whenever the Beneficiaries may enforce the Guaranteed Liabilities. Any Guarantor's Customers that are identified as eligible are treated as if the Board of Governors of CIPF/FCPE had exercised the discretion necessary to entitle the person to CIPF/FCPE protection. A decision by the Board of Governors of CIPF/FCPE on whether a person is eligible for CIPF/FCPE protection under this Guarantee is final and binds the parties.
Dealer Member	a Dealer Member of a Participating Institution
Guarantee Amount	the percentage of Regulatory Capital shown opposite the name of each Guarantor at the beginning of this Guarantee. The Guarantee Amount that applies to any

* A trustee whose only duty is to convey the trust property to the beneficiaries.

	Guarantor may be amended from time to time by agreement between the Institution and the Guarantor to reflect the direct and indirect ownership of the Guarantor or a Common Owner in each of the other Guarantors.
Guaranteed Liabilities	the obligations, debts and liabilities that the Guarantor guarantees under this Guarantee as described under the heading, **Guarantee**
Guarantor	each of the Dealer Members that sign and deliver this Guarantee
Institution	the Participating Institution to which this Guarantee refers
JRFQR	in relation to a Dealer Member, the Joint Regulatory Financial Questionnaire and Report (i) prescribed from time to time by the Participating Institution of which the Dealer Member is a member, and (ii) if the Dealer Member is a member of more than one Participating Institution, as prescribed by the Participating Institution having prime audit jurisdiction for the purposes of CIPF/FCPE
Participating Institution	related to a Guarantor, each of the participating institutions of CIPF/FCPE of which that Guarantor is a Dealer Member
Regulatory Capital	at any time the "capital employed" of a Guarantor decided in accordance with the JRFQR (Line 3, Statement B) and the Rules of the Participating Institution of which the Guarantor is a Dealer Member. It may be that the Regulatory Capital of a Guarantor at the time of demand under this Guarantee cannot, in the sole discretion of the Institution, be identified accurately or with confidence in a timely manner. It is then considered to be the Guarantor's capital calculated according to the (i) information in the JRFQR and (ii) financial statements most recently filed with, or available to, a Participating Institution. Any such calculation that the Institution makes, following the notes and instructions to the JRFQR and the Rules, is a final and binding decision on the Regulatory Capital of the Guarantor for this Guarantee.
Related Company	for a Guarantor, another Guarantor that is a related company of the first Guarantor under the Rules of the Participating Institution to which the first Guarantor belongs
Rules	the by-laws, regulations, rules, policies, and forms of a Participating Institution

Guarantee

Each Guarantor, individually (severally) with each other Guarantor, guarantees payment and discharge on demand to Beneficiaries of all the obligations, debts, and liabilities that any other Guarantor incurs, or is under, that occur related to their securities businesses. However, the Guarantor's liability under this Guarantee is limited to an amount equal to its Regulatory Capital at the time demand is made, multiplied by the Guarantee Amount that applies to the Guarantor. Each Guarantor makes this Guarantee in exchange for the eligibility of Customers for protection by CIPF/FCPE.

If the Guaranteed Liabilities:

(i) exceed a Guarantor's liability under this Guarantee, and

(ii) are owed to more than one Beneficiary,

the Guarantor will pay each Beneficiary a pro-rated amount, calculated by:

(i) dividing the amount of the Guaranteed Liabilities owed to that Beneficiary by the total amount of the Guaranteed Liabilities owed to all Beneficiaries, and

(ii) multiplying the result by the total amount payable to all Beneficiaries.

Guarantee's terms

1. **Continuing guarantee**

This Guarantee is a continuing guarantee of all the Guaranteed Liabilities and secures any amount owing to the Beneficiaries. A Guarantor's obligations under this Guarantee continue even if it pays the Beneficiaries part of any amount then owing to them.

2. **Beneficiaries' entitlement**

The Beneficiaries are entitled to payment from any Guarantor without having to pursue any other remedy available to them.

3. **Starting the Guarantor's liability**

Each Guarantor's liability to make a payment under this Guarantee begins when the Institution, acting on behalf of all of the Beneficiaries, demands payment in writing. Any demand or notice to a Guarantor under this Guarantee takes effect when delivered to the Guarantor's registered office in an envelope addressed to its President

4. **Interest rate**

A Guarantor's liability bears interest from the demand date. Obligations under this Guarantee bear interest at the rate that the Institution's principal bank uses to assess interest rates on Canadian dollar loans to its customers in Canada, plus 2% yearly.

5. **Independence of this guarantee**

This Guarantee is in addition to, and not a substitute for, any other guarantees or securities that the Beneficiaries may hold for the Guaranteed Liabilities. The Beneficiaries need not help a Guarantor by calling on any other guarantees, securities or assets that they may be entitled to receive or may have a claim on. No loss of, loss from, or unenforceability of any other guarantees or securities for the Guaranteed Liabilities that the Beneficiaries hold at any time limits or lessens any Guarantor's liability.

6. **Beneficiaries' actions don't affect Guarantee's terms**

The Beneficiaries may deal with any person as they see fit without limiting or lessening a Guarantor's liability. For example, they:

(i) need not give notice to, or have the consent of, a Guarantor to grant time, renewals, extensions, indulgences, releases, or discharges to or accept compositions from any person, including a Guarantor or any other guarantor.

(ii) may take, not take, not perfect, vary, exchange, renew, discharge, give up, realize on or otherwise deal with securities and guarantees as they see fit.

(iii) may apply all money received from a Guarantor or others, or from securities or guarantees, to the parts of the Guaranteed Liabilities that they see fit, and change any such application in whole or in part from time to time.

7. **Conditions of Guarantor's repayment**

Until the Guarantor repays all the Guaranteed Liabilities in full:

(i) All dividends, compositions, proceeds of securities, or payments received by the Beneficiaries from the Guarantor, for which the Beneficiaries are customers in relation to the Guaranteed Liabilities, are payments in gross. No other Guarantor may claim the benefit of any such payments to reduce its liability under this Guarantee.

(ii) No Guarantor may (a) claim any reduction or counterclaim against any other Guarantor for any liability of that Guarantor to any other Guarantor (b) compete with the Beneficiaries in the bankruptcy or insolvency of a Guarantor, or (c) have any right to make claims in the Beneficiaries' names.

Any liability of a Guarantor to another Guarantor described in clause (ii) must be held as security for the performance of this Guarantee.

8. **Changes to a Guarantor do not affect this Guarantee**

This Guarantee will not be affected by

(i) any change in a Guarantor's name, objects, capital structure, or constitution

(ii) the sale of a Guarantor's business or any part of it, or

(iii) a Guarantor's amalgamation with a corporation.

In any such event, this Guarantee continues to apply to all Guaranteed Liabilities whether incurred before or after the event. If a Guarantor amalgamates with a corporation, this Guarantee applies to the liabilities of the resulting corporation as Guaranteed Liabilities. The term "Guarantor" then includes any resulting corporation.

9. **Disabilities of Guarantors**

All cash balances and securities that a Guarantor receives in its dealings with the Beneficiary, and in the course of its business before the Beneficiaries have received notice of a Disability (as defined in the next sentence), form part of the Guaranteed Liabilities. A Guarantor's "Disability" means:

(i) any lack of or limitation in its legal authority

(ii) the Guarantor's not being a legal or suable entity, or

(iii) any irregularity, defect, or informality under which the Guarantor receives cash balances, securities, or other property.

10. **How a Guarantor ends further liability**

Each Guarantor may end its ongoing liability under this Guarantee by giving 60 days' notice in writing to the Institution. The Guarantor

(i) is liable for any Guaranteed Liabilities incurred before the 60 days' expiry even if not yet matured, but

(ii) is not liable for any Guaranteed Liabilities incurred after that.

Even if they have received that notice, the Beneficiaries may fulfil any Guarantor's requirements based on express or implied agreements made before the 60 days expire, and this Guarantee applies to any resulting Guaranteed Liabilities.

11. **Whole agreement**

This Guarantee is the entire agreement among the parties, and none of them is bound by any representation or promise that is not written in this Guarantee. The Beneficiaries are not bound by any representations or promises that any Guarantor makes to any other Guarantor.

12. **Institution's authority**

Each Guarantor may rely on the Institution's authority to represent, and act for and on behalf of, all Beneficiaries in giving notice of default, making demand on the Guarantor, and receiving, on behalf of all Beneficiaries, any payment under this Guarantee of the Guaranteed Liabilities. Any such payment reduces the Guarantor's liability under this Guarantee to the Beneficiaries. The Institution's possession of this document is proof against any Guarantor that it was not delivered to any Beneficiary in escrow or under any agreement that it does not take effect until any condition has been complied with.

13. **The effect of a Guarantor's failure to follow a Participating Institution's rules**

A Guarantor's failure to comply with the Rules of a Participating Institution to which it belongs does not affect a Guarantor's obligations under this Guarantee. A Guarantor may not use that failure as a defence on the basis that the risk to the Guarantor has changed or for any other reason.

14. **The Institution's role and enforcement**

The Institution must hold the benefit of each Guarantor's promises in trust for the Beneficiaries according to their respective interests. Any Customer, the Institution, or a Participating Institution may enforce a Guarantor's promises directly against that Guarantor. The Institution

(i) is under no obligation or responsibility to any Customer, Participating Institution or person claiming through any of them under this Guarantee, and

(ii) in particular, has no obligation or responsibility to see that any promise here is fulfilled or to take any action to enforce this Guarantee.

15. **Severability**

The terms of any part or section of this Guarantee are independent of the terms of any other part or section.

16. **Execution of one document**

This Guarantee may be executed in any number of counterparts, each of which is an original and all of which together constitute one document.

17. **Ontario's laws govern**

This Guarantee is governed by the laws of the Province of Ontario.

18. **Succession or assignment**

This Guarantee benefits the Beneficiaries, each Guarantor, and their respective successors and assigns and binds each Guarantor, the Institution, and their respective successors and assigns.

This Guarantee has been executed and delivered by the Guarantors and the Institution by their authorized representatives as of , 20 .

[Guarantor's name]

By _____

_____
Representative's name and title

By _____

_____
Representative's name and title

[Guarantor's name]

By _____

_____
Representative's name and title

By _____

_____
Representative's name and title

[Name of Institution]

By: _____

_____
Representative's name and title

By: _____

_____
Representative's name and title

The person signing below, a shareholder or owner, directly or indirectly, of each Guarantor, acknowledges and consents to the execution and delivery of this Guarantee by the Guarantors.

_____ (Signature) Dated: , 20

GUIDANCE NOTE 2150-2

SHARED PREMISES

Introduction

This Guidance Note provides assistance to a Dealer Member that shares offices premises with a financial services entity. IIROC acknowledges that standards in this Guidance Note may not be practicable in certain business arrangements such as where there are numerous dually employed representatives or the Dealer Member provides discount brokerage services. A Dealer Member may develop different policies and procedures from this Guidance Note that achieve the same objectives; however, a Dealer Member must ensure that Corporation requirements are met.

The objective behind the standards is to ensure that clients are not confused as to which entity they are dealing with.

Dealer Members should also refer to *NI 31-103 Registration Requirements and Exemptions*, which came into force on September 28, 2009. That instrument has application to these issues.

Telephone Operations

Clients should have a clear understanding of which entity they are dealing with when they call the Dealer Member or the financial services entity. A shared receptionist is permitted. Separate directory listings for each entity are recommended.

Signage

A business, trade or style name under which all of the entities operate may be displayed in addition to the legal names. The names of each individual representative of the entities need not be displayed.

Physical Premises

Separate entrances are not necessary. It may be advisable for the respective representatives, employees or agents of the Dealer Member and the financial services entity to be situated in separate areas, if permitted by resources and infrastructure, to minimize client confusion and ensure privacy and confidentiality of records.

Confidentiality of Records

A Dealer Member must maintain controls on client records so that a financial services entity does not have access to the client's file. When hardware and software are shared, a Dealer Member should ensure that confidentiality protocols separate the Dealer Member's client files from non-Dealer Member files.

Supervision

In some jurisdictions, securities regulators may allow a trading officer to be dually employed with a Dealer Member and non-Dealer Member financial services entity, provided that Rule 2550 is complied with. Such dually employed officers may be designated a Supervisor for both entities. In other jurisdictions, different Supervisors must conduct supervision. In either situation, the Supervisor may be on-site or off-site.

A Supervisor must devote sufficient time to supervision of the branch. Specific requirements are set out in Rule 3900. In addition, Supervisors have additional responsibilities regarding confidentiality of client records, the separation of files and operations, the issue of dually employed registrants, registrants operating within the limits of their registration, etc.

An administration officer responsible for general office oversight may be shared between the entities. The administration officer need not be registered. This does not diminish the requirement for a Supervisor to supervise business practices and monitor compliance.

Business Cards

For persons holding both a securities and insurance registration, provincial legislation differs regarding the use of double-sided or separate business cards. It is the Dealer Member's responsibility to ensure compliance with applicable securities and insurance legislation.

When registrants are dually employed by a Dealer Member and a financial services entity, IIROC recommends the registrants have double-sided business cards.

Shared Employees

Sales assistants or other employees should be assigned to either the Dealer Member or the financial services entity, rather than being shared between them. If warranted under the circumstances, certain individuals should sign confidentiality agreements.

GUIDANCE NOTE 2350-1

TRADE NAMES

This Guidance Note provides guidance on the use of trade names and describes the process for notifying the Corporation of the use of trade names.

Use of Trade Name on Materials used to communicate with the public

A Dealer Member that uses a trade name on materials used to communicate with the public must include its full legal name in size at least equal to that of the trade name. Materials used to communicate with the public include:

(i) letterhead

(ii) business cards

(iii) invoices

(iv) trade confirmations

(v) monthly statements

(vi) websites

(vii) research reports

(viii) advertisements

(ix) market letters

Reasons for the Corporation to prohibit use of a trade name

The Corporation may prohibit a Dealer Member, or an approved person, from using any trade name that is contrary to the provisions of Section 2352, is objectionable, or contrary to the public interest.

Reasons that the Corporation will prohibit use of a trade name include:

(i) The trade name is already in use by another Dealer Member or approved person;

(ii) The trade name suggests an affiliation with a Dealer Member or other financial institution where not such affiliation exists;

(iii) The trade name suggests that a Dealer Member or approved person provides services that require registration or Corporation approval that the Dealer Member does not have, such as discretionary account management;

(iv) The trade name uses terms like “guaranteed” that suggest improper representations.

Notifying the Corporations of a trade name used by a Dealer Member

A Dealer Member must notify the Corporation before using a business, trade or style name other than the Dealer Member’s legal name. A Dealer Member must send a letter to the Corporation Secretary confirming that it has registered the trade name with the appropriate government agencies in the jurisdictions where it will be used. The firm may wish to enclose copies of the search and registration documentation.

Notifying the Corporation of a trade name used by an approved person

All trade names used by an approved person and not owned by the Dealer Member must be reported to the Corporation. It is unnecessary to forward proof of registration; however, the Corporation recommends that the Dealer Member conduct the necessary due diligence and file that proof as a supporting document.

Filings made through the National Registrations Database (NRD)

NRD Item 10 (current employment) requires a separate employment entry for an individual who conducts business through the Dealer Member and through a trade name. The submissions on the trade name must answer all Item 10 questions. To avoid confusion, Dealer Members should clarify the number of hours spent with each entity, under the question: "Describe the type of business or employment and your duties". When the approved person uses the trade name to conduct all business activities on behalf of the Dealer Member, the number of hours for Item 10 for the trade name should match the number of hours for the sponsoring Dealer Member. The description should confirm that the Dealer Member has given written consent to the use of the trade name.

Other filings

Provincial securities commissions may also require notification of trade names, which is a separate matter from Section 2352.

GUIDANCE NOTE 2400-1

PRINCIPAL AND AGENT RELATIONSHIPS

This Guidance Note provides direction on the agreements a Dealer Member must enter into to establish a principal/agency arrangement with its registered representatives. It also covers certain reporting, filing and other requirements for principal/agency arrangements.

Entering into agreements

A Dealer Member must first enter into an agreement with the Corporation before engaging agents. The agreement should be signed under seal by an authorized director or executive of the Dealer Member and sent to the Business Conduct Department of the Corporation office having jurisdiction. The contents of the agreement may not be changed.

Along with filing the completed agreement, a Dealer Member must include a covering letter describing satisfactory plans for compliance with the disclosure requirements of paragraph 4 of the agreement. In addition, the Dealer Member must file its revised New Account Application Form containing the disclosure required in paragraph 5. If the Dealer Member wishes to exhaust existing supplies of forms, it should advise how the disclosure will be made on an interim basis.

A Dealer Member must also obtain approval of its form of agency agreement. The agreement must contain all of the provisions in Section 2403 and no inconsistent provisions. The Dealer Member must file a certificate of a director or executive confirming that the agreement is in compliance with Corporation requirements.

If a Dealer Member drafts its own agency agreement, a table of concordance addressing Section 2403 should be included to assist Corporation staff in reviewing the agreement. If compliance with Corporation requirements is unclear, Corporation staff may request the Dealer Member file a legal opinion that it does comply. If a Dealer Member changes the agency agreement, re-approval from the Corporation is required, other than for changes of a strictly commercial nature.

The proposed agreement and certificate should be filed with the Business Conduct Department of the Corporation office having jurisdiction.

Requirements under the Rule

Financial Institution Bond (FIB) insurance coverage – a Dealer Member must have an “agent” rider added to its FIB insurance coverage to ensure that its agents and the employees of those agents are covered by the FIB policy to the same extent as its own employees. An FIB insurance coverage review is included in the Corporation Financial and Operations Compliance Department regular examinations.

Special reporting requirements – Dealer Members using principal/agent relationships are required to report to through COMSET any compliance issues arising from the principal/agent relationships and how they were resolved. The Corporation will be reporting to the Securities Commissions on all such compliance issues.

Compliance with tax laws – a Dealer Member must provide satisfactory evidence to the Corporation that the arrangements between it and its agents comply with applicable tax laws. The evidence may be in the form of a legal opinion or a Canada Revenue Agency ruling. The evidence should be filed with the Business Conduct Department of the Corporation office having jurisdiction.

Books and records – The requirement that the agent maintain proper books and records extends to all Dealer Member record keeping obligations. In particular, this includes the maintenance of new account documents and compliance review or approval records.

Individual registration filings – A registration application must disclose that this is an agency, not an employment relationship. This is done on the NRD by entering “Agent” as part of the disclosure in the text box for the response to:

> “Describe the type of business or employment and your duties. If you are seeking registration or acceptance for which specified experience is required, provide detailed experience below (for example, level of responsibility, value of accounts under direction and research experience.).

Dealer Members are reminded that all regular registration filing requirements apply to agents, including notification of business locations or outside employment and uniform termination notices.

GUIDANCE NOTE 2550-1

REGISTRATION AND APPROVAL OF INDIVIDUALS

Part I. Registration and approval of individuals

Before an individual in a *Corporation* category carries out certain aspects of his or her job, Section 2552 requires that a *Dealer Member*:

(i) register the individual in the appropriate registration category under the *applicable securities legislation,* and

(ii) obtain *Corporation* approval of the individual's applicable *Corporation* category.

Part I of this Guidance Note clarifies the difference between registration and approval.

Registration

The *securities legislation* in each jurisdiction requires that any individual "in the business of trading" must be registered in the appropriate registration category under *securities legislation*. The companion policy to National Instrument 31-103 gives the following as indicators of being in the business of trading in securities:

(a) ***Directly or indirectly holding oneself out as being in the business of the activity***

Merely holding oneself out as being willing to engage in trading or advising in securities is sufficient to be engaged in the business for the purposes of securities legislation. This is because holding out induces the client to rely on the dealer or adviser.

Engaging in practices similar to those used by registrants also reflects a business purpose. Examples include promoting securities and making disclaimers or stating by any other means that the person or company will buy or sell securities. Carrying on any of these activities at the start-up stage may be considered carrying on a business.

(b) ***Acting in an intermediary capacity or as a market maker***

Acting in an intermediary capacity between a seller and a buyer of securities or making a market in securities constitute trading for a business purpose.

(c) ***Directly or indirectly carrying on the activity with repetition, regularity or continuity***

Frequent transactions are a common indicator that a person is engaged in a business. We consider a person who regularly trades or advises in any manner that could produce profits to be engaged in a business. The activity does not have to be the person's sole or even primary endeavour for that person to be in the business. However, whether a person has other sources of income and how much time the person spends on the activity are also relevant factors.

(d) ***Being, or expecting to be, remunerated or otherwise compensated for the activity***

Receiving, or expecting to receive, compensation for carrying on the activity, whether transaction or value based, reflects a business purpose. It does not matter if the person actually receives compensation or what form the compensation takes. Having the capacity or the ability to carry on the activity to produce profit is also a relevant factor.

However, carrying on an activity with no expectation of compensation may suggest that it is not for a business purpose.

(e) ***Directly or indirectly soliciting others in connection with the activity***

Contacting others to solicit securities transactions or to offer advice reflects a business purpose. Solicitation includes contacting others by any means, including advertising that proposes buying or selling securities or participating in a securities transaction, or that offers services or advice for these purposes.

The requirement for registration includes both those who deal with customers and those who trade for a D*ealer Member's* own accounts.

A D*ealer Member* may have some employees who occasionally effect trades for operational reasons but are not in the business of trading and therefore do not require registration.

The *securities legislation* requires that potential registrants meet certain criteria regarding fitness for registration. An individual must be registered under the *securities legislation* in each jurisdiction in which they intend to conduct business.

In addition, the registrant must obtain *Corporation* approval.

Approval

The *Corporation* approves individuals to work under several *Corporation* categories. For approval, the individual must meet the *Corporation requirements*, including Rule 2600 proficiency requirements.

Once approved by the *Corporation*:

(i) the individual's approval applies nationally. He or she does not need to apply for approval in the same category in another province.

(ii) the individual's approval continues in that category unless he or she withdraws or the *Corporation* suspends or revokes the approval.

Role of the *Corporation*

In addition to approving individuals under the *Corporation requirements,* the *Corporation* handles the registration applications under delegation orders for the securities regulators. in Alberta, British Columbia, Ontario, Newfoundland & Labrador, Quebec, and Saskatchewan. The securities commissions in the other jurisdictions grant registration separately from the Corporation's granting of approval. However, in all cases the applications are made in a single process through the National Registration Database (NRD) system.

Part II. Process for abandoned or withdrawn applications

This part describes the *Corporation* process for dealing with abandoned or withdrawn applications. The *Corporation* developed this process to ensure removal of approval applications that are not pursued so that current applications are processed more quickly.

If a *Dealer Member* files a deficient approval application through *NRD, it* will receive a deficiency notice through *NRD*. The *Dealer Member* must respond to this notice within 90 days or the *Corporation* will consider the application abandoned and close the file. The *Corporation* sends the *Dealer Member* a reminder after 60 days that it will consider the file abandoned 90 days from the original deficiency notice.

The *Corporation* recognizes that a *Dealer Member* may need more than 90 days to correct some deficiencies. The *Corporation* will review these situations and approve extensions if needed. A *Dealer Member* must apply for the extension before the expiry of the 90 days.

The *Corporation* will not return abandoned applications and supporting documents to the *Dealer Member*, unless the *Dealer Member* asks for them. The *Corporation* will not refund its fees.

A *Dealer Member* that wants to withdraw an approval application must send the *Corporation* a written request signed by a *director* or *executive* of the sponsoring *Dealer Member*. The *Corporation* does not return withdrawn applications and supporting documents unless the *Dealer Member* asks. The *Corporation* refunds its fees if the *Corporation* has not started its application review by the time of the withdrawal.

Part III. Approval due diligence process

Under Section 2552, an individual must be approved by the *Corporation* in order to work in certain capacities at a *Dealer Member.* As part of the approval process, documents are exchanged between the applicant and the *Corporation*. The *Corporation* keeps documents that an *approved person* sends to it about the approval process. An *approved person* may ask for a copy of this file as this Part III describes.

Requesting an approval file

An individual may request a hard copy of his or her approval file by using the *File Copy Request Form* from the Registration Guide section of the *Corporation's* website: http://www.*IIROC*.ca/Files/Registration/RegisGuide/FileCopyRequestForm_en.pdf. The *Corporation* also accepts a letter signed by the individual asking for the file. The letter must include, for identification purposes, the individual's full legal name and date of birth.

The individual may obtain the file copy at the Corporation's offices or specify on the request that the file be delivered directly to a *Dealer Member's* offices. If the individual chooses to pick the file up, the Corporation notifies him or her when the file is ready. The individual must pick up the requested file in person and provide photo identification

The *Corporation* tries to provide copies of the file within five *business days* of receiving the request. The time may be longer because of workload or if the *approved person* has been out of the industry for some time.

What is in the approval file

The *Corporation* approval file includes the following, where applicable:

(a) All applications the individual filed, with detailed personal information and disclosure of any criminal, civil, regulatory, or financial problems;

(b) *Corporation* Notices of Approval, containing the individual's previous *Corporation* categories, *CE program* requirements, and any terms and conditions;

(c) Termination Notices and reasons for termination that previous employers have disclosed;

(d) All other correspondence between the individual and the *Corporation* registration department;

(e) Enforcement Opening and Closing letters, if the individual is, or has been, under *Corporation* investigation;

(f) Warning Letters that *Corporation* Enforcement has issued;

(g) *IIROC* Disciplinary Notices;

(h) Statements of Claim involving the individual as a defendant (as originally provided by the individual);

(i) Bankruptcy documents involving the individual (as originally provided by the individual); and

(j) A printout of the individual's *NRD* record.

The file also includes a report from the Comset database of the number of Comset entries about the individual. The *Corporation* does not review the Comset entries, which are filings that *Dealer Members* and other sources make on Comset. The Corporation does not provide any further details about the Comset entries.

The *Corporation* approval file only contains *Corporation* documents previously provided to the individual or documents the individual has provided to the *Corporation* registration department. *Dealer Members* may contact other regulators directly if the individual has been registered with a non-*IIROC* firm. Dealer M*embers* may use the FINRA Brokercheck service, which contains registration and licensing information on current and former FINRA-registered individuals. This information can be accessed at http://www.finra.org/BrokerCheck or (800) 289-9999.

Fee for file request

As of February 26, 2007, the fee for approval file requests is $50.

Part IV. Administrative Matters

Approval letters

Approval letters the *Corporation* sends include an effective date, which may not be the date of the letter. IIROC made this change to alleviate any problems caused by the previous practice of backdating approval letters.

Exemption application fees (Ontario only)

Ontario is the only jurisdiction that has a fee for exemption applications. The *Corporation* grants exemptions on behalf of the *OSC* from the requirements of Ontario Regulation 1015, sections 127(2)(b), (d), (e), (g) and (h) (full time requirements) and Rule 31-502 (Proficiency Requirements). When filing an exemption request under these sections, a *Dealer Member* must include the application fee payable to the *OSC*. The amount of the fee is specified in OSC Rule 13-502. See Appendix C-3 of the rule at http://www.osc.gov.on.ca/Regulation/Rulemaking/Current/Part1/rule_20050812_13-502_fees-cp.pdf

GUIDANCE NOTE 2550-2

OTHER BUSINESS ACTIVITIES

INTRODUCTION

This Guidance Note assists Dealer Members with the issue of non-Dealer Member related business activities by approved persons, referred to as "other business activities". This includes activities for which direct or indirect payment is received for services. It does not include unpaid charitable, social or religious services. Any other activity must be compatible with Rule 3100 – adhere to high standards of ethical conduct and not be unbecoming or detrimental to the public interest. No approval should be given for any other business activity which might cause client confusion or reflect poorly on the Dealer Member or the industry.

Dealer Members are reminded that all securities related activities must be conducted on their books, except where IIROC expressly permits otherwise. Insurance activities that are provided through an individuals' financial planning or other personal entity are not considered securities activities, but must be reported via NRD as a separate business activity.

Dealer Members must have policies and procedures that require all other business activities to be disclosed and approved by the appropriate supervisor. The process of approval must consider any potential client confusion or conflicts of interest. Approval should only take place where there are effective controls and qualified supervision. Dealer Members should ensure that approval provisions include a due diligence process and that appropriate records are kept.

APPROVAL CONSIDERATIONS

Dealer Members should establish appropriate approval processes which take into account the considerations below:

Duty of care to existing clients – The other business activity should not materially impair a Dealer Member's duty of care to its existing clients. A Dealer Member should not permit other business activities which are likely to disrupt timely client access to their accounts and suitable advice (where that is part of the service offered).

Activities preventing fully-informed advice – In circumstances where fully-informed advice and unbiased counsel cannot be given due to a conflict (eg, the RR has a position with an issuer), a Dealer Member should have effective measures for confidential information containment. This activity should only be permitted where clients have clearly waived any entitlement or expectation to the RR's advice. Dealer Members in B.C. are reminded of BC Securities Commission Rules 61(2) and MLP 34-202, S. 1.6 which prohibit a salesperson from being a director of a reporting issuer.

Use of client information – A client's personal information may only be used for the purposes consented to by the client. This does not extend to business activities outside of the Dealer Member. Dealer Members should have appropriate training and controls to prohibit client information from being used in other business activity.

Use of the Dealer Member's facilities – The other business activities must be clearly seen to be outside the Dealer Member. A Dealer Member should not permit the use of its premises, records, logos, trade name(s), stationery, support staff, office facilities (eg, mail, fax, email, etc.)

Robust approval process – A Dealer Member's policies, procedures and training programs should emphasize the need and process for up-front approvals. Dealer Members may wish to include their approval or disapproval criteria in the policy and do an annual canvas of other business activities. Dealer Members' records of approvals should include all supporting evidence including any special conditions, policies, procedures or controls that might have been imposed. Individuals should not adjudicate their own approval requests.

FILING REQUIREMENTS – NRD

Other business activities are reported under Item 10 of NRD 33-109F4, which deals with current employment information. Each other business activity must be treated as a separate item addressing all of the elements set out below. Activities which are conducted through an affiliated, related or subsidiary company of the Dealer Member must be noted, including any situations where the individual registrant conducts business through an individual trade name.

Multiple registrant employment-

In Ontario, where individuals are registered as a director, executive or shareholder of more than one registrant firm, the firm must provide notice to IIROC in its registration or renewal of registration pursuant to OSC Rule 31-501 s. 2.1 in addition to NRD Item 10 Requirements below. The notice filing must also address the requirements of IIROC.

In Alberta, where individuals are registered as a director, executive or shareholder of more than one registrant firm, the firm must provide notice to IIROC in its registration or renewal of registration pursuant to ASC Policy 3.3. The notice filing must also address the requirements of IIROC.

In BC, where individuals are registered as a trading officer of affiliated firms, the firm must provide notice to IIROC in its registration or renewal of registration. The notice filing must also address the requirements of IIROC.

In jurisdictions that permit multiple employments, a Dealer Member must file with IIROC the Dealer Member's policies and procedures to address any potential for conflicts of interest resulting from multiple employment and ensuring that clients are aware of the details of the multiple employments and the potential conflicts.

Life insurance activities – Where an individual conducts life insurance activities through a registered life insurance provider or through the Dealer Member's related, affiliated or subsidiary entity, this item need only be reported under NRD Item 13(3), but must include the name of the insurance firm. If the activity is conducted through another entity, with or without financial planning services, individuals must report this information under Item 10 and 13(3)(a), in addition to the guidelines in NRD Item 10 Requirements below.

NRD notice is not an approval – Acknowledgement of these notices filed through NRD are not an approval of the activity, or that all potential conflicts of interest have been addressed. IIROC may request further information.

Quebec – In Quebec, other business activity may require that a Dual Employment Exemption be obtained under Policy Statement Q-9, article 53. The applicable fee is $250.00 payable to IIROC.

NRD ITEM 10 REQUIREMENTS

The following items under Item 10 are identified for further clarity.

Name of Business or Employer/Address of Business or Employer – self explanatory

Name and Title of Immediate Supervisor – Discuss with the applicant to determine what is applicable. In cases of a high-ranking employee, such as a CEO or Managing Partner, the individual may choose to identify a reporting structure to the Board of Directors or other governing body, whichever is most applicable.

Describe the type of business or employment and your duties – Details should be provided in full for the type of business, position with the Dealer Member and duties associated with the position. This must be provided for other business activities as well.

Indicate the number of hours per week you are devoting to this business or employment – The number of hours should be approximated on a weekly basis. The system will only accept a minimum of 1 hour. An explanation should be provided in the text box disclosing the actual number of hours worked.

Is the above business or employment with the sponsoring firm?

(a) If the individual's employment comprises less than 30 hours per week, there must be an explanation as to why in order to determine if the individual is eligible for part time exemption provisions available under securities laws. If the individual is working more than 30 hours, but also engaged in other securities related activities, a response will be required under (b) below (due to system functionality).

(b) If the other securities related activity is not with the sponsoring Dealer Member, the individual must disclose any potential for confusion by clients and any potential for conflicts of interest arising from the proposed activities as a registrant and the other business activities described above. If the business is listed on an exchange, this information should be included.

When involved in other business activities, the explanation should address:

- Confirmation as to whether there is potential for client confusion and conflicts of interest arising from the other business activity.
- Confirmation that the sponsoring Dealer Member has reviewed the outside business activity to ensure compliance with the Dealer Member's policies and procedures to address these situations. The name and title of the officer who performed the review must be included.
- Each description must include whether the business is listed on an exchange and whether the other business activity will result in shared premises.

GUIDANCE NOTE 2600-1

PROFICIENCY REQUIREMENTS

Rule 2600 sets out the proficiency requirements for all *Corporation* approval categories. This Guidance Note provides guidelines for the required 30- or 90- day training program, certain post-approval and examination requirements and the proficiency exemption. In particular:

A. Parts I and II of this Guidance:

(i) set out guidelines for both these training programs, and

(ii) outline activities permitted during the training programs;

B. Part III clarifies what work training program participants may do during the program;

C. Part IV outlines the training program exemptions available under subsection 2604(2); and

D. Part V explains the *Corporation's* requirement for mutual fund representatives to rewrite certain courses when transferring to a *Dealer Member*.

PART I – GUIDELINES FOR THE 30- DAY TRAINING PROGRAM

Subsection 2602(1) requires that applicants for approval as *investment representatives* complete a 30-day training program before being approved

A *Dealer Member* is responsible for:

(i) overseeing and administering the 30-day training program,

(ii) ensuring their applicants complete the program, and

(iii) submitting an update on the National Registration Database confirming the applicant completed the 30-day training program.

30-day training program content

The goal of the program is to prepare new *investment representatives* for their duties at a *Dealer Member's* business, such as taking and entering orders, giving quotes, reporting on trades, correcting errors, responding to customer enquiries, and other customer service functions.

A *Dealer Member* may use the *CSI investment representative* training course but it is not mandatory. A *Dealer Member* using the CSI program must supplement it with material specific to the Dealer Member's business as specified in the course.

The training program should not cover material from the *CSC* and *CPH*. Instead, it should focus on the *Dealer Member*'s products, policies, procedures and systems. The training should cover at least the following topics:

(1) The *Dealer Member*

(a) The *Dealer Member* and its position within the industry

(b) *Products* and services offered by the *Dealer Member*

(c) Key relationships such as related financial institutions and introducing and carrying broker arrangements

(2) Product knowledge

(a) Products offered by the *Dealer Member*

(b) Characteristics and key information for each product

(c) How to obtain quotes and other information on each product

(3) Trading each product

(a) Types of orders

(b) Required information for an order

(c) Order entry and order marking

(d) Disclosure requirements

(e) Changing or canceling orders

(f) Credit and suitability assessments

(g) Prohibitions on advice

(4) Transactions and operations

(a) Firm's operations departments and their functions

(b) Account types, opening, documentation, and operation

(c) Settlement

(d) Margin and credit policies

(e) Commission

(f) Transaction trail

(g) Client records

(h) Systems and technical issues

(i) Client communication

(5) Compliance issues

(a) Business ethics

(b) Compliance rules, requirements, and procedures

(c) Compliance and credit contacts

PART II – GUIDELINES FOR THE 90-DAY TRAINING PROGRAM

Subsection 2602(1) requires that applicants for approval as a *registered representative* conducting certain types of business complete a 90-day training program before being approved.

A *Dealer Member* is responsible for:

(i) overseeing and administering the 90-day training program;

(ii) ensuring their applicants complete the program; and

(iii) filing with the *Corporation* an update on the National Registration Database confirming the applicant completed the 90-day training program.

Course content

A Dealer Member may use the *CSI* 90-day training program but must supplement it with material specific to the Dealer Member's business as specified in the course.

The time and topic headings set out below are suggestions that should be tailored to the *Dealer Member*'s business. By the end of each lesson, the participant should be able to complete the items listed under the lesson.

Chapter 1 General background (1 week)

1.1 **Overview of the financial services and securities system**

(a) Evolution of the financial services industry and the securities industry;

(b) Current industry issues and trends;

(c) Institutions and organizations involved in the securities system.

1.2 **Participant's position in financial services**

(a) The participant's role, registration, and proficiency requirements and those of their competitors and colleagues;

(b) Size, activities, and profitability of the securities industry;

(c) Position and the competitive advantages of the participant's *Member* in the industry;

(d) Role of an investment advisor in the *Dealer Member's* organization.

1.3 **Capital markets and the economy**

(a) Economic principles that affect capital markets and the economy, such as GDP growth, inflation, interest rates, unemployment, and the exchange rate;

(b) Relationship between risk and return;

(c) Purpose and effect of monetary and fiscal policy;

(d) How to apply economic principles when recommending investments to clients.

Chapter 2 Product knowledge (4 weeks)

2.1 **Fixed income products**

(a) Details of fixed-income products available;

(b) Factors that influence bond prices and yields, including the term structure of interest rates, duration, immunization, and convexity;

(c) Types of bond yields; bond prices;

(d) Factors to consider when selecting the appropriate fixed-income product for clients;

(e) Passive and active fixed-income portfolio.

2.2 **Equities**

(a) Characteristics, risks, and advantages of equity products currently available;

(b) Stock selection and valuation techniques and models;

(c) Research, evaluating companies, interpreting analysts' research reports including the assumptions and valuation approach used; and

(d) Factors to consider when selecting the appropriate equity product for clients.

2.3 **Derivatives and hybrid securities**

(a) Features of derivatives;

(b) Characteristics of the types of options and futures;

(c) Mechanics of trading;

(d) Option and futures strategies;

(e) Calculating the value of an option;

(f) Characteristics of income trusts, closed-end funds, exchange-traded funds and structured products (such as principal-protected notes);

(g) Factors to consider when selecting the appropriate derivative or hybrid product for clients.

2.4 **Mutual funds and other managed products**

(a) How open-end mutual funds operate and the process and calculations used to buy and sell units;

(b) Features, fees charged, objectives, and risks of the different types of mutual funds;

(c) Evaluation of whether a fund is suitable for a client's portfolio based on proper criteria including rate of return, fund objectives, client objectives, needs, and risk tolerance;

(d) Characteristics and uses of hedge funds, and explain when they would be suitable in a client's portfolio.

2.5 **Proprietary products and accounts**

(a) Features and characteristics of *Dealer Member*-specific products and accounts, including proprietary-structured products, wrap accounts, managed accounts, and fee-based accounts;

(b) Other *Dealer Member* services offered to the client, such as access to research on the internet or financial planning tools;

(c) Comparison of the *Dealer Member's* proprietary products to other industry proprietary products available.

Chapter 3 Portfolio planning (3 weeks)

3.1 Basic financial planning

(a) Necessary information about a client's financial situation;

(b) Calculating net worth cash flow statements;

(c) Evaluating the client's requirements and savings needed for insurance and post-secondary education;

(d) Developing a financial plan, making appropriate investment recommendations, and recognizing when to seek expert advice.

3.2 **Tax and retirement planning**

(a) Ways that investment income can be taxed; calculating the after-tax income from the different types of investments;

(b) Tax-reduction strategies;

(c) Sources of retirement income available to a client, including RRSPs, company plans, and government plans; and

(d) Evaluating a client's retirement needs and savings required to make up any shortfall.

3.3 **Portfolio theory and asset allocation**

(a) The portfolio management process including the role diversification plays in an overall portfolio strategy;

(b) Basic features of the efficient frontier and the Capital Asset Pricing Model (CAPM);

(c) Market efficiency theories and asset allocation techniques;

(d) Developing an investment policy statement for a client applying the concepts of market efficiency, portfolio management, and international investing, while taking the client's objectives, risks, and constraints into account; and

(e) Measures of risk and their use in performance measurement.

3.4 **Firm specific planning programs and services**

(a) Features and characteristics of the *Member*-specific financial planning tools and services offered;

(b) Comparison of proprietary planning products and services to other industry proprietary tools and services available.

Chapter 4 Operations and administration (2 weeks)

4.1 **Accounts and client records**

(a) Types of accounts available to a client;

(b) Account-opening procedure, the information needed and why it is needed;

(c) The know-your-client obligation;

(d) Client documents an documentation procedures including purpose, timing requirements, filing and updating;

(e) Trading authorizations;

(f) Account-transfer procedures.

4.2 **Transaction and settlement procedures**

(a) Role of clearing corporations and depository services;

(b) Clearing-services processes and rules about *CDS* and over-the-counter trade settlements;

(c) Trade-processing flow order entry procedures;

(d) Trading reports generated and how to use them to process trades accurately and fix errors.

4.3 **Margin and credit policies**

(a) Regulatory minimum and *Dealer Member*-specific cash and margin account rules;

(b) Calculating margin requirements for client accounts.

4.4 **Commissions, compensation and fees**

(a) Compensation available to the registered representative;

(b) Calculation of compensation earned on all products, services and accounts;

(c) Other *Dealer Member* fees charged to the client.

4.5 **Member structure**

(a) The *Dealer Member's* structure;

(b) Departments such as underwriting, trading, research, portfolio management, operations, treasury or finance, accounting, credit, compliance, and administration;

(c) Internal procedures and resources for obtaining assistance.

4.6 **Systems and technology**

(a) Order entry, execution-and-confirmation process and documents;

(b) Systems resources and software available for working with the client such as programs to help choose suitable instruments, create financial plans, propose asset allocation or record client notes;

(c) Client-contact software;

(d) Use and risks of the internet; information to the client on the internet.

Chapter 5 Communication training (2 weeks)

5.1 **Client communication**

(a) Rules and guidelines about external communication including print and internet-marketing materials; and

(b) Rules for using business titles, professional associations, and memberships on business cards and marketing materials.

5.2 **Prospecting and marketing**

(a) Prospecting, including cold calling, client referrals, direct mail;

(b) Do not call restrictions;

(c) Conducting persuasive prospecting calls that result in new appointments; and

(d) Target or niche markets for prospecting;

(e) Developing an effective marketing plans.

5.3 **Selling/communication skills**

(a) Effective written and oral presentations to clients

(b) Promotional seminars;

(c) Uncovering the investment needs and objectives of a client through advanced questioning skills and t echniques and observed client behaviour;

(d) Presenting investment solutions in an influential manner;

(e) Securing the client's commitment to recommended investment solutions.

5.4 **Relationship management and practice management**

(a) Elements of a successful business plan;

(b) Developing a personal business plan for the practice;

(c) Building effective rapport with different types of customer personalities;

(d) Effectively manage a team in the practice.

Chapter 6 Standards of conduct and practice

6.1 **Code of ethics and standards of conduct**

(a) Importance of ethics in the securities industry;

(b) Use of the Standards of Conduct and the Code of Ethics to guide the participant's behaviour as an investment advisor, both with clients and colleagues;

(c) Consequences of not dealing ethically with clients.

6.2 **Compliance rules and regulations**

(a) Structure, principles and rules of Canadian securities industry regulation;

(b) Regulatory penalties for breaking securities industry rules;

(c) Role of the *Self Regulatory Organizations*, the provincial regulators, *Canadian Investor Protection Fund (CIPF),* and limits of *CIPF* coverage; and

(d) Takeover bid process and relevant takeover legislation, including insider and issuer bids.

6.3 **Compliance procedures**

(a) The *Dealer Member's* policies; and

(b) The *Dealer Member's* procedures to meet all compliance obligations.

6.4 **Know-your-client rule and choosing suitable investments**

(a) Importance of the know-your-client rule and suitability in dealing with clients;

(b) The role suitability plays in the investment advisor-client relationship; and

(c) Knowledge of investment product attributes.

6.5 **New and pending legislation and regulation**

(a) Impact of new and pending legislation and regulation.

6.6 **Broker liability, complaint processes, and penalties**

(a) An investment advisor's contractual, civil, and fiduciary obligations to a client;

(b) Issues with clients that could lead to potential liability and the potential costs involved;

(c) Action to avoid liability;

(d) Client complaint procedures; and

(e) Recourse available to clients, including arbitration, ombuds services and litigation.

PART III – GUIDELINES FOR CONDUCT DURING THE 30- OR 90-DAY TRAINING PROGRAM

Clauses 2602(1)(xii) and (xvii) require that applicants for approval in certain *registered representative* and *investment representative* categories finish a training program before they are approved. The training period is 90 days for those applying as *registered representatives* and 30 days for those applying as *investment representatives*. During the programs, the *Dealer Member* must employ the applicant full time.

Individuals in the training program are not approved. They cannot

(i) have contact with clients or prospective clients to get, take, or solicit orders for trades in *securities*, or advise on them, or

(ii) receive commission splits as part of their compensation.

Permitted activities

Participants in the 30- or 90-day training program may:

(1) obtain information from existing or prospective clients on behalf of a *registered representative,* give quotes and answer clients' questions about their accounts that are not related to the specific investments and do not involve giving investment advice.

(2) contact the public, including sending out introduction letters, inviting the public to firm seminars, and forwarding non-securities specific information;

(3) create and research lists of potential clients for future follow-up work;

(4) if they are approved to sell mutual funds, deal with their existing mutual fund clients to purchase and sell mutual funds only. They cannot solicit or take on any new clients during the 90-day training program, nor can they transact non-mutual fund securities for their existing mutual fund clients.

Prohibited activities

Participants in either the 30- or 90-day training program cannot act in furtherance of a trade. In particular, they cannot:

(1) provide written or oral recommendations, opinions, or advice about securities, as defined in *securities legislation*;

(2) open client accounts;

(3) complete know-your-client information on a *NAAF*, other than to complete the biographical information at the beginning of a *NAAF* on behalf of a *registered representative*;

(4) distribute, under their own names, research reports containing security-specific comments, recommendations or opinions to clients or prospective clients. They can, on behalf of one or more registered persons, distribute literature, including research reports, if the *Dealer Member,* the supervising branch manager, or both approve the literature for distribution; or

(5) solicit orders, or accept or process any orders, including unsolicited orders.

PART IV – EXEMPTIONS FROM 30- OR 90-DAY TRAINING PROGRAM

Clauses 2604(2)(iv) and (v) exempt an applicant for approval from the 30- or 90-day training program if the applicant requests approval within three years of being registered:

(i) with a *Dealer Member*, securities dealer, or investment dealer;

(ii) by a recognized foreign regulatory authority or *recognized foreign*; or

(iii) as an investment advisor by a Canadian securities regulatory authority;

in a capacity allowing trading of, and advising in, *securities* for *retail clients*.

Approval in another type of category does not qualify an individual for the exemption. For example, an individual previously registered in a restricted category, such as *registered representative* dealing with *institutional clients*, applying to be a *registered representative* dealing with *retail clients* is not exempt from the 90-day training program.

Similarly, an individual registered as an *investment representative* in the past three years would be exempt from re-taking the 30-day training program when applying in the same category, but not from completing the 90-day training program if the individual requests approval as a *registered representative*.

An applicant requesting approval as an *investment representative* or *registered representative* dealing with *retail clients* is not exempt from the 30- or 90-day training program if he or she:

(i) completed the training program at another *Dealer Member* but did not become approved; or

(ii) completed part of the training at another *Dealer Member*.

An applicant may apply to the *District Council* for a discretionary exemption under Rule 2600, subsection 2603(2). To get the exemption, the applicant must show equivalent experience, training, or education.

PART V – EXAMINATION REQUIREMENTS FOR TRANSFERS FROM MUTUAL FUND DEALERS TO *DEALER MEMBERS*

Part V of this Guidance Note clarifies the requirements for a mutual fund representative to rewrite certain courses when transferring to a *Dealer Member* and applying for full registration.

An applicant registered for mutual funds for more than three years before transferring to a *Dealer Member* is required to re-write both the *CSC* and the *CPH*.

The applicant is exempt from re-writing those courses if the applicant has been a voluntary *CE participant*.

GUIDANCE NOTE 2650-1

CONTINUING EDUCATION REQUIREMENTS

Part I of this Guidance Note provides detailed guidance to help *Dealer Members* create an acceptable *CE program* for their *CE participants*. Part II provides guidance on voluntary participation in the *CE program.*

PART I – GUIDELINES FOR THE CONTINUING EDUCATION PROGRAM

Section 2653 requires that *CE participants* meet the *Corporation's CE program* requirements in each cycle. Rule 2650 outlines the mandatory components of the *CE program*.

This part of Guidance Note 2650-1 gives guidelines to help a *Dealer Member* create an acceptable *CE program*, including guidance on course content, length and how a *Dealer Member* can comply with Rule 2650.

Please consider these guidelines in the context of what is appropriate to the *CE participant*, his or her position and responsibilities, and the needs of the *Dealer Member*. A *Dealer* Member can best accomplish this by making one person responsible for defining the training needs and finding appropriate programs to meet them. If appropriate, a *Dealer Member* may delegate some responsibility for approving a *CE participant's* program to the *CE participant's* supervisor.

The compliance requirement

General

The compliance requirement can be met by taking one course or a combination of shorter courses or seminars: internal, external or a combination of the two. Compliance courses should meet the following guidelines:

(1) Courses should relate to the *CE participant*'s regulated functions. For example, compliance courses completed by *supervisors* should reflect their supervisory responsibilities.

(2) A *Dealer Member* may credit towards compliance requirements all or some of the time that a *CE participant* spends on

(i) a *Corporation* committee or council, or

(ii) teaching a financial course,

if the *Dealer Member* considers the issues dealt with as relevant.

(3) There is no requirement that courses be selected from the *Corporation*'s accredited courses except for those being used in Voluntary Participation. A *Dealer Member* can accept an accredited course for the number of hours for which it is accredited without further review provided that it is relevant *CE* for the *approved person.* A *Dealer Member* must conduct sufficient due diligence to ensure that non-accredited courses meet the criteria for *CE* courses in Sections 2605 and 2606.

(4) A *Dealer Member* may credit towards compliance requirements *CE* credits earned through courses and seminars at a *CE participant's* previous *Dealer Member* during the current cycle but not reported to the *Corporation* on receipt of a verification issued by the *CE participant's* former *Dealer Member*.

Course content

Clause 2654(1)(iii) establishes four general topics for *Dealer* compliance courses. Some examples of relevant issues in the four-topic areas are:

(1) how securities administrators and *SROs* regulate industry participants;

(2) regulatory developments that affect firm management;

(3) disclosure of information to clients;

(4) registration and continuing education;

(5) operations and firm capital;

(6) sales and trading conduct – general;

(7) sales and trading conduct – institutional;

(8) current developments in debt market regulation;

(9) suitability and new products;

(10) corporate finance – new rules;

(11) corporate finance – proposed new rules;

(12) ethical issues and case studies;

(13) anti-money laundering laws and regulations and the *Dealer Member's* implementation of these laws and regulations;

(14) privacy; and

(15) screening for suitable clients.

These examples are for *approved persons* dealing with both *retail* and *institutional clients* and may change over time. The importance of certain topics may vary depending on a *Dealer Member's* business and the *CE participant's* responsibilities.
Delivery guidelines

A *Dealer Member* can tailor an internal compliance course to meet its needs, including deciding how to review the topics. However, the course must meet the minimum 12-hour requirement for each three-year cycle.

A *Dealer Member* may decide how to deliver a compliance course. For example, a *Dealer Member* may:

(1) hold an eight-hour in-house compliance seminar, with four hours of preparatory reading and study. In the first part of the seminar, *CE participants* could review topics 1-4. *They could then* use the information to discuss case studies during the rest of the seminar; or

(2) offer the compliance course over three years, requiring *CE participants* to attend a four- hour seminar every year. Each seminar must cover at least one of the topic areas in depth.

Clause 2654(1)(iv) allows a *Dealer Member* to decide what *CE participants* must do to complete the course. A *Dealer Member* may require *CE participants* to:

(1) pass a firm-developed examination;

(2) pass an external examination;

(3) attend and participate in a seminar; or

(4) a combination of the above.

The professional development requirement

A *Dealer Member* may decide how to best meet its *CE participants'* professional development program needs by offering an internal course, using an external course provider, or a combination of these.

General guidelines

The professional development course, whether internal or external, should meet the following guidelines:

(1) The professional development course should be relevant to the securities industry and financial advisors, management-oriented, or designed to improve client service.

(2) The course should reflect the industry's commitment to high quality client service, advice, and professionalism.

(3) Each *CE participant's* courses should reflect that person's skill requirement or be based on the *Dealer Member's* products and market strategies.

(4) The course content should be educational and non-promotional. For example, corporate events held solely to introduce or promote new products or services, networking events or motivational speakers do not qualify. Some parts of an issuer's product-branded or product-specific presentations will qualify for professional development credit if presented as part of a larger educational course or presentation. A *Dealer Member* may grant:

(i) full credit for the general education part of the course for a product category for the number of hours it takes, and

(ii) half of the issuer-specific portion as credit towards the professional development course.

(5) The program should have defined learning objectives. The course provider must be professional and able to certify completion. Alternatively, a *Dealer Member* may assume responsibility to certify course completion.

(6) A *Dealer Member* may credit towards professional development requirements all or some of the time that a *CE participant* spends teaching a relevant course, if the *Dealer Member* considers that the issues dealt with are relevant.

(7) A *Dealer Member* may accept towards professional development requirements *CE* credits earned during the current cycle (but not reported to the *Corporation*) through courses and seminars at a *CE participant's* previous firm. A *Dealer Member* may accept a verification of completion from the *CE participant's* former *Dealer Member*.

Course content

Generally, the professional development courses should either review product groups, services and investment and financial strategies that the *CE participant* may offer to clients, or develop the *CE participant's* managerial skills. The courses and materials should cover the following:

(1) product category features that should be communicated to a client;

(2) approaches to product valuation and risk factors;

(3) strategies for investing in a product category, including when it is suitable for the client's objectives;

(4) the suitability of leveraging for a particular product category or investment strategy;

(5) the features and costs of a *Dealer Member*-offered service;

(6) the regulatory, tax, and other features of a product category or service that might affect its suitability;

(7) methods of evaluating competing products, services, and investment strategies;

(8) the suitability of a product category, service, or strategy for clients with different financial, risk and knowledge profiles;

(9) developing managerial skills to help managers meet strategic and operational objectives;

(10) developing communication skills to improve client service and assessments of client service;

(11) developing practice management skills to provide tools to improve client service;

(12) discussing technology used to enhance client service and advice; and

(13) screening for suitable clients – the quantitative and the qualitative.

There are several types of external courses that would fit the guidelines for a *CE participant's* course. Courses and seminars offered by *CSI*, for example, are acceptable, as are the *Corporation*-accredited courses. Additional licensing courses, such as derivatives courses, may be credited to the professional development requirement. However, a *CE participant* may not use the Professional Financial Planning Course the Investment Management Techniques Course or the Wealth Management Essentials Course if the course was used to satisfy the requirement of Rule 2600.

Relevant courses offered or endorsed by professional financial services associations that have licensing and continuing education requirements, such as CIMA, CFP, CFA, IQPF, CLU, and insurance-licensing and *CSI* designations may also be acceptable, as would relevant courses at established post-secondary institutions.

Delivery guidelines

A *Dealer Member* may design its professional development program to meet its needs and may decide how the topics are reviewed, as long as the 30-hour requirement is met. In designing the program, a *Dealer Member* should consider the most appropriate learning tools to meet its requirements. If appropriate, a *Dealer Member* may use:

(1) discussions offered by internal or external providers;

(2) electronic or on-line material; or

(3) seminars and discussions offered by internal or external providers.

If possible, course materials should use cases and other applications to develop a *CE participant's* problem-solving and decision-making skills. Training strategies should focus on product knowledge, regulatory knowledge, business development skills, managerial skills and client communication skills.

Some *Dealer Members* have developed programs beyond the basic requirements to develop additional skills for a particular position. These courses would generally meet the continuing education guidelines if they do not promote products or provide product incentives.

Suggested process to establish courses that meet the continuing education requirements

To establish a training course that meets these guidelines, a *Dealer Member* should:

(1) identify its training needs, including knowledge and skills that would have a positive impact on the *Dealer Member*;

(2) identify the course objectives;

(3) identify the evaluation method to be used, such as course work, case study or examination;

(4) decide how to measure successful completion;

(5) decide whether the course should be internal or external, find professional internal or external experts to provide the course, and decide which courses best meet the *Dealer Member's* needs; and

(6) evaluate whether the course meets its objectives.

PART II – VOLUNTARY PARTICIPATION IN THE CE PROGRAM

Course accreditation

A *Dealer Member* may not decide which courses are eligible for voluntary participation. Voluntary *CE participants* must choose only the *Corporation* accredited courses. The *Corporation* uses the following guidelines to approve courses to qualify for voluntary *CE participation:*

The courses must:

(1) build on or refresh *CSC* or *CPH* material;

(2) meet the time requirements (at least 12 hours for compliance courses and 30 hours for professional development courses);

(3) include a learning evaluation process such as an exam or case study; and

(4) provide proof from the course provider that the *CE participant passed*.

A course provider, or a *Dealer Member*, who believes that one or more of its courses meet these criteria and wants a course or courses considered for voluntary *CE participation* may apply for CECAP accreditation. Go to www.cecap.ca for applications and details on the accreditation process

Examples

Below are examples of how the voluntary *CE program* participation has helped, or could have helped, individuals avoid rewriting the *CSC* or the *CPH*:

Example 1: John S completed the *CSC* and *CPH* on April 14, 2003. John would have had to rewrite the *CSC* and the *CPH* after April 14, 2005. John could have extended the validity of his *CSC* and *CPH* under *IIROC requirements* to December 31, 2009 by becoming a voluntary *CE participant* in Cycle 3 (1/Jan/2006 to 31/Dec/2008).

Example 2: Jane D was approved as a *registered representative* until July 19, 2002. If Jane did not become re-approved with an *IIROC Member* by July 19, 2005, she would have had to re-write the *CSC* and *CPH*. Jane could have extended the validity of the *CSC* and *CPH* to December 31, 2006 by becoming a voluntarily *CE participant* in Cycle 2 (1/Jan/2003 to 31/Dec/2005).

Example 3: Jack W completed the *CSC* and *CPH* on October 25, 1997 and had never been approved. Jack took two additional the *Corporation*-accredited courses in 2001 that qualified for voluntary *CE program* participation. As a result, the *Corporation* considered Jack as a voluntary *CE participant* in Cycle 1, and he did not have to rewrite the *CSC* and *CPH* until December 31, 2003. If Jack had been a voluntary *CE participant* in Cycle 2, his *CSC* and *CPH* would have remained valid until December 31, 2006.

Example 4: Betty R was approved as a *registered representative* until March 4, 1997. Betty did not take any courses during Cycle 1 (1/Jan/2000 to 31/Dec/2002), but took two courses that qualified for voluntary *CE participation* in Cycle 2. As Betty did not continuously participate in the *CE program* since her termination, she must rewrite both the *CPH* and the *CSC*.

GUIDANCE NOTE 2700-1

NRD Filings and NRD Fees

This guidance note contains additional information about Dealer Member filings and NRD fees.

NRD FILINGS

Foreign business location with an approved person

For foreign business locations that have an approved person dealing with Canadian clients, a Dealer Member should record the individual's working location on NRD under 'Contact Information' under Item 9 – Location of Employment. A Dealer Member does not need to make a paper filing. The Dealer Member must have a Corporation-approved supervisor for the approved person's Canadian activity.

Requirements for filing exemption requests

A Dealer Member must submit any proficiency exemption requests for an individual through NRD at the time of that individual's approval application. However, a Dealer Member cannot process, through NRD, exemption requests for individuals that are not recorded on NRD or not yet sponsored by the applying Dealer Member. In such cases, a Dealer Member may submit the exemption request by filing a letter signed by a director or executive of the Dealer Member.

The Dealer Member must, when filing in paper, show that the applicant's academic or employment background gives the applicant equivalent proficiency. This is the same as in the NRD "Apply for an Exemption Submission" process. To show equivalency, the Dealer Member must provide, with the application:

(1) a statement of the basis for the exemption. For example, if the submission is based on the applicant's employment experience, the Dealer Member must state the relevance of that experience and how it allowed the applicant to keep up to date with the course content;

(2) proof that the applicant completed any courses he or she is relying on for equivalency;

(3) the applicant's full legal name, birth date, and residential address; and

(4) cheques for the exemption fee.

While an applicant's resumé may be helpful, it does not replace the above information.

A Dealer Member must send the exemption request letter to the appropriate Corporation registration office for review. The Corporation office will forward the application to the District Council registration subcommittee for review.

If the Corporation grants the exemption, the Dealer Member must file the application for approval through NRD within 90 days of the exemption date.

Filing of notices of change under Rule 2703: Temporary Hardship Exemption

The paper form for submitting a notice of change to the information in Form 33-109F4 is Form 33-109F5.

NRD FEES

Annual NRD user fee

Section 2705 requires a Dealer Member to pay an annual user fee for using the NRD. This fee is:

(1) $75 (plus GST) for each registered and non-registered individual in one jurisdiction, and

(2) $50 (plus GST) for each additional jurisdiction (capped at $250 plus GST) required for that individual.

This fee is due on December 31 for the next year and is automatically withdrawn from a Dealer Member's NRD account.

Annual regulatory fee

As well, the NRD calculates a Dealer Member's annual fee for each province and territory in which a Dealer Member carries on business. This fee is also due December 31 and is automatically withdrawn from the Dealer Member's NRD account.

Annual Fee Summary process

Every year on December 1, the NRD generates a preliminary Annual Fee Summary. The summary sets out the number of the Dealer Member's individuals and locations recorded on NRD for which annual regulatory registration fees are due and if applicable, the participation fee amount due in Ontario. The summary also includes a calculation of the Dealer Member's annual NRD user fee and the total amount that NRD withdraws from the Dealer Member's NRD account on December 31 if the Dealer Member's registered and permitted individuals stay the same.

The summary is only available on NRD. To view the summary, a Dealer Member must log in to NRD and select "Annual Fee Summary" under the "Firm Information" tab. The summary, created once a year, does not reflect changes made in December.

Avoiding unnecessary fees

A Dealer Member should review the summary and submit any necessary changes before the December 31 fee payment. For example, a Dealer Member should terminate an individual that is not continuing with the Dealer Member after December 31 or cancel an individual's registration in a jurisdiction if he or she no longer requires registration.

A Dealer Member has more control over the annual fee process by using the Annual Fee Exclusion/Reversal form. A Dealer Member files this form with each relevant jurisdiction to exclude from the annual fee calculation individuals who will be surrendering registration or terminating employment by December 31. The Corporation encourages Dealer Members to use this form to avoid unnecessary fees.

The registration status of individuals excluded from the annual fee calculation will be automatically changed to Suspended (Annual Fee Exclusion) on December 31. A Dealer Member must ensure that the Annual Fee Exclusion submissions have no errors since they cannot be changed after the fees are calculated. If an error occurs the form must be filed again prior to December 31 to reverse the action.

In addition to filing the Annual Fee Exclusion, a Dealer Member must file

(1) Form 33-109F1, Notice of Employment Termination, [LINK:osc.gov.on.ca/forms/registration/form33-109F1], or

(2) Form 33-109F2, Surrender of Individual Categories, [LINK: osc.gov.on.ca/forms/registration/from 33-109F2]

through NRD for each approved person who has changed categories or employment status.

NI 33-109 requires a Dealer Member to submit any change to an individual's registration information to the regulator within five business days of that change. The Annual Fee Exclusion filing does not replace the appropriate regulatory filings.

Final Annual Fee Summary and withdrawal

At approximately 5:00 p.m. E.S.T. on December 31, NRD will generate a Final Annual Fee Summary, summarizing the individuals and locations for which a renewal fee has been charged and the amount debited from a Member's NRD account. View the Final Annual Fee Summary by selecting "Annual Fee Summary" under the "Firm Information" tab.

A Member can also generate an Annual Fee Detailed Report from the report function on NRD to accurately reconcile the final fee. This report gives a detailed account of all individual, location, firm category and participation fees for the Preliminary or Final Annual Fee Summary.

Dealer Members must file all submissions, including the Annual Fee Exclusion/Reversal submission, before the annual fee withdrawal on December 31. More information is on the NRD website (http://www.nrd-info.ca).

13.2 Marketplaces

13.2.1 Instinet Canada Cross Limited (ICX) – Notice of Initial Operations Report and Request for Feedback

INSTINET CANADA CROSS (ICX)
NOTICE OF INITIAL OPERATIONS REPORT AND REQUEST FOR FEEDBACK

Instinet Canada Cross Limited (ICX) has announced its plans to begin operations as an Alternative Trading System (ATS). It is publishing this Notice of Initial Operations Report in accordance with the requirements set out in OSC Staff Notice 21-703 – *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*. Pursuant to OSC Staff Notice 21-703, market participants are invited to provide the Commission with feedback on the information provided in the Notice.

Feedback on the Initial Operations Notice should be in writing and submitted by March 14, 2011 to:

Market Regulation Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Fax (416) 595-8940
Email: marketregulation@osc.gov.on.ca

And to:

Kenneth J. Klepacki
Chief Operating Officer
Instinet Canada Cross Limited
Canadian Pacific Tower, 100 Wellington Street West,
Toronto Dominion Centre, Suite 2202, PO Box 134
Toronto, ON M5K 1H1
Email: ken.klepacki@instinet.com

Comments received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended start date for operation of the ATS.

Instinet Canada Cross Limited (ICX)

NOTICE OF INITIAL OPERATIONS REPORT AND REQUEST FOR FEEDBACK

Instinet Canada Cross Limited ("ICX") will offer an alternative Canadian marketplace to registered Investment Dealers which are members of IIROC in good standing and their clients to trade equities denominated in Canadian dollars listed on the TSX and TSX Venture. ICX will provide broker-neutral VWAP and Instinet BLX Cross dark pools to the Canadian market. As it will operate its products as dark pools, ICX will not provide quotes or indications of interest (IOIs) and will only act in an agency basis.

VWAP Cross

The VWAP Cross will provide a benchmark cross at the day's VWAP (Volume Weighted Average Price). VWAP is a standard trading benchmark for the day's average price level of a stock, which is the ratio of the value traded to total volume traded over the day in the case of ICX's VWAP. ICX will calculate the daily Canadian VWAP for listed stocks based on consolidating data feeds from Canadian marketplaces. The VWAP Cross will operate a point-in-time cross prior to the TSX market open. Executions are locked in at match time, and priced at VWAP after the close.

BLX Cross

The BLX Cross has been designed for block-trading and price improvement. Crosses will only occur when there are enough aggregated buy/sell orders in a stock with respect to a predetermined metric (i.e. volume thresholds – see specific thresholds below). BLX is designed to increase average trade size while minimizing risk – it aggregates buy and sell orders in a stock and triggers a passive cross when the matchable volume reaches a meaningful size. Matched orders are priced using the NBBO mid-point price calculated at a random time during a 10 second pricing window.

Trading Hours

VWAP Cross orders may be entered starting at **7:00 am ET** and the match will occur at **9:15 am ET**.

ICX continuous cross services on BLX will allow Subscribers to trade between the hours of **9:30 am and 4:00 pm ET** on trading days.

Order Entry Interface

FIX, or Financial Information eXchange, is an industry standardized protocol that allows ICX Subscribers to enter, revise and cancel orders, and receive executions. It allows Subscribers and their software developers to integrate ICX into their proprietary trading systems or build custom front ends. All orders are entered via FIX protocol into ICX's Core Matching Engine with Canada specific and UMIR required fields.

Instinet Canada Cross destinations (VWAP and BLX Cross) will be made available on Instinet's EMS platforms. Instinet will also work with other EMS/OMS vendors to allow for access and connectivity from their platforms.

Market Data

ICX will operate its products as dark pools. Therefore it will not provide IOIs, orders posted or quotes in public data feeds. ICX trade prints will be provided to market data providers as well as to TMX IP (Information Processor). ICX orders, cancellations and trade prints will be sent to IIROC as part of the regulatory feed.

Order Handling, Types and Instructions

All ICX orders are fully anonymous.

Orders accepted by the VWAP Cross are either matched at 9:15 am or, if not matched, are rejected and the client is notified.

Orders entered into BLX that are not matched are posted in ICX's order book, a dynamically updating real-time database of limit orders, so they can be subsequently matched. No IOIs and quotations for orders posted in the ICX book will be disseminated to system Subscribers. The Order book will aggregate matches; no Subscriber's identity is disclosed pre-trade or during the execution process. Full post-trade attribution will be available.

Minimum Price Increment - ICX's BLX dark pool will allow the entry of orders in the minimum tick increment allowed by UMIR:

- For stocks with a previous close price >= $.50 a minimum price increment of $.01 CAD
- For stocks with a previous close price < $.50 a minimum price increment of $.005 CAD

Minimum Volume Increment – VWAP Cross will have a minimum volume of 100 shares and allow 100 share increments.

BLX minimum thresholds to trigger a match:

- 1,000 shares: Below 100,000 ADV (average daily volume)
- 2,500 shares: Between 101,000 – 1 million ADV
- 5,000 shares: 1,000,001 and above ADV

ICX Pricing

ICX pricing mechanisms are as follows:

- VWAP Cross – matched orders are priced using the consolidated VWAP price at 4:10 pm. VWAP price is calculated from Canadian marketplaces' direct data feeds (TMX, Alpha, Pure, Chi-X Canada, Omega and MatchNow), consolidated by Instinet and the VWAP calculated. ICX will include all trades in the VWAP as the standard practice.
- BLX – matched orders meeting volume thresholds are priced using the NBBO mid-point price calculated at a random time during a 10 second pricing window.

VWAP and BLX Cross Allocation of Trades

The VWAP and BLX Cross will allocate trades on a pro-rata basis, based on order volume sent to the match.

Halts, Delayed Opens and Adherence to Primary Market (TMX)

ICX will halt and open securities inline with the primary market. Similarly, delayed opens and other market events imposed by the primary market will be followed. A Halted security may still have a match and trade in the VWAP Cross. The price will be calculated based on the VWAP while open during the trading day. A security that does not open on a particular day will not receive matches that day.

ICX Order Types

VWAP Cross

- Supports Market Order, Volume, Minimum Fill and All-Or-None (AON). Limit orders not available.

BLX

- Supports Market Order, Limit Order, Volume, Minimum Fill, Expiration (Day, GTD).

Time in Force Conditions

DAY – A Day Order will remain live on the ICX book for the duration of the trading day or until cancelled in the course of the trading day by the subscriber. At the end of the ICX trading day (4:00 pm ET) all outstanding, unfilled Day orders will be cancelled.

GTD – A "Good 'Til Date" (GTD) order expires at the end of the ICX trading day of the date specified.

VWAP Orders & Pricing Process

1. Buy and Sell orders are sent to the VWAP Cross destination via proprietary or other EMS/OMS platforms utilizing FIX protocol before 9:15 am.

2. Matched orders will be 'locked in' to end-of-day VWAP price.

3. When cross is done, an indicative fill is sent out – price of indicative fill will be the previous close price. Re-price is done to the VWAP at 4:10 pm.

4. Un-matched orders will be cancelled and the subscribers will be notified.

5. Matched orders will be priced at 4:10 pm at the consolidated Canadian VWAP price calculated from Canadian markets' feeds.

6. VWAP pricing up to 4 decimal points.

7. Matches will be printed on ICX and fills details will be sent to subscribers, the IP (Information Processor), CDS and IIROC.

BLX Orders & Pricing Process

1. Buy and Sell orders are sent in the same manner as in the VWAP Cross.

2. Orders are accumulated. When the minimum threshold is reached, the pricing window opens.

3. The BLX price is set by calculating the NBBO midpoint at a random time during a 10 second pricing window. Once the price is set, the match executes, with orders filled pro-rata.

4. Matches will be printed on ICX and fills details will be sent to subscribers, the IP (Information Processor), CDS and IIROC.

Clearing and Settlement

Clearing

ICX will operate under the ATS clearing model.

Locked-in subscriber trades will be reported at the end of the day by ICX to CDS. Identity of counter-party will be disclosed in files sent to CDS for settlement purposes.

Subscribers will report the trades to their custodians who will in turn report allocations to CDS
On T+1 ICX Subscribers review the CDS trade comparison reporting based on trades submitted to CDS from ICX and the custodian.

On settlement date CDS, via the CNS process, will debit/credit Subscriber custodians' CDS ledger and bank account for the trades.

Settlement

All trades done on ICX will settle regular way on T+3.

In the case of a special direction for clearing and settlement from the primary exchange, ICX will make the appropriate adjustments to indicate the special clearing (as agreed upon with CDS) to ICX's end of day file before the file is sent to CDS.

13.3 Clearing Agencies

13.3.1 Material Amendments to CDS Procedures – Amendment to Debt Haircut Rates in CDSX – Request for Comments

CDS CLEARING AND DEPOSITORY SERVICES INC. (CDS®)

MATERIAL AMENDMENTS TO CDS PROCEDURES

AMENDMENT TO DEBT HAIRCUT RATES IN CDSX

REQUEST FOR COMMENTS

A. DESCRIPTION OF THE PROPOSED CDS PROCEDURE AMENDMENTS

Proposed changes to the haircut rates applied to debt securities in CDSX for the purposes of calculating aggregate collateral value (ACV) and the value of collateral pledged to collateral pools and participant funds.

B. NATURE AND PURPOSE OF THE PROPOSED CDS PROCEDURE AMENDMENTS

The haircut rates applied to debt securities to determine collateral values in CDSX (for both ACV and collateral pledged to pools and funds) historically have been based on the haircut rates used by the Bank of Canada for the Bank's Standing Liquidity Facility (SLF). This linkage is appropriate given that, in a participant default, it is possible that collateral would be required to be pledged by participants to the Bank of Canada.

On June 17, 2010, the Bank of Canada announced changes to its haircut rates which were effective on July 19, 2010. These changes included distinguishing between strip bonds and bonds with coupons and bonds with maturities greater than 35 years. In order to maintain consistency with the Bank of Canada haircut rates, the changes to CDSX debt haircut rates in the table below are recommended. These changes would be followed by an assessment of the system changes and risk/cost benefits of distinguishing between coupon and strip bonds, adding an additional maturity bucket for greater than 35 years as well as distinguishing ABCP from other corporate securities. That assessment will be presented to the Risk Advisory Committee in 2011.

These changes are based on the highest comparable rate applied by the Bank of Canada (with the exception of the provincial and provincially guaranteed bonds with maturity greater than 10 years noted with an *). For example, the Bank applies rates of 2.5% and 3.0% to Government of Canada coupon and strip bonds with maturities greater than 10 years. Since the changes proposed by CDS do not distinguish between coupon and strip bonds, we have applied the higher haircut rate to all Government of Canada bonds of that maturity. The comparison of current and proposed haircut rates in included in the table below.

Haircut Rates for Debt Securities (Current and Proposed)

Security Type	Years to Maturity 0 to 1	1 to 3	3 to 5	5 to 10	> 10
Government of Canada	1.0% 0.5%	1.0%	1.5%	2.0%	2.5% 3.0%
Federally guaranteed	1.5% 1.0%	2.0% 1.5%	2.5%	3.0% 4.0%	3.5% 4.5%
Provincial	2.0% 1.5%	3.0% 2.0%	3.5% 3.0%	4.0% 4.5%	4.5% 6.0% *
Provincial guaranteed	3.0% 2.0%	4.0% 2.5%	4.5% 3.5%	5.0%	5.5% 6.5% *
Corporate AAA	4.0% 3.0%	3.5%	5.0% 4.0%	5.5% 6.5%	6.0% 9.0%
Corporate AA	7.5% 3.0%	3.5%	8.5% 4.0%	9.0% 6.5%	10.0% 9.0%
Corporate A	12.0% 5.0%	5.5%	13.0% 6.0%	13.5% 8.5%	15.0% 11.0%
Unrated public sector entities and government grants	15.0%	16.0%	17.0%	18.5%	20.0%
Unrated municipal	20.0%	21.0%	22.0%	23.5%	25.0%
Corporate BBB	30.0%		32.0%	33.0%	35.0%
Corporate BB and lower	100.0%				
U.S. T-bills, notes and bonds	2.0% 1.0%		1.5%	5.0% 3.0%	4.5%

C. IMPACT OF THE PROPOSED CDS PROCEDURE AMENDMENTS

C.1 Competition

None

C.2 Risks and Compliance Costs

Based on the fact that most haircut rates are being reduced, an analysis of the ACV indicates that there would be no adverse effect on participants' ability to collateralize their settlement activity. Furthermore, if the proposed haircut rates were applied to securities currently pledged to collateral pools and participant funds, no additional collateral would have been required by participants.

C.3 Comparison to International Standards – (a) Committee on Payment and Settlement Systems of the Bank for International Settlements, (b) Technical Committee of the International Organization of Securities Commissions, and (c) the Group of Thirty

The proposed changes are entirely consistent with all relevant international standards.

D. DESCRIPTION OF THE PROCEDURE DRAFTING PROCESS

D.1 Development Context

The proposed amendments were developed by CDS's Risk Management division and were reviewed and recommended for approval by the Risk Advisory Committee on December 7, 2010.

D.2 Procedure Drafting Process

CDS Procedure Amendments are reviewed and approved by CDS's Strategic Development Review Committee ("SDRC"). The SDRC determines or reviews, prioritizes and oversees CDS-related systems development and other changes proposed by participants and CDS. The SRDC's membership includes representatives from the CDS Participant community and it meets on a monthly basis.

These amendments were reviewed and approved by the SDRC on January 27, 2011.

D.3 Issues Considered

See above.

D.4 Consultation

See above.

D.5 Alternatives Considered

See above.

D.6 Implementation Plan

CDS is recognized as a clearing agency by the Ontario Securities Commission pursuant to section 21.2 of the Ontario *Securities Act*. The Autorité des marchés financiers has authorized CDS to carry on clearing activities in Québec pursuant to sections 169 and 170 of the Québec *Securities Act*. In addition CDS is deemed to be the clearing house for CDSX®, a clearing and settlement system designated by the Bank of Canada pursuant to section 4 of the *Payment Clearing and Settlement Act.* The Ontario Securities Commission, the Autorité des marchés financiers and the Bank of Canada will hereafter be collectively referred to as the "Recognizing Regulators".

The amendments to Participant Procedures may become effective upon approval of the amendments by the Recognizing Regulators following public notice and comment.

E. TECHNOLOGICAL SYSTEMS CHANGES

E.1 CDS

The proposed changes can be accomplished by a simple amendment to tables within CDSX. No application or logic changes are required.

E.2 CDS Participants

No changes required.

E.3 Other Market Participants

No changes required.

F. COMPARISON TO OTHER CLEARING AGENCIES

The haircut rates apply to Canadian debt securities and therefore direct comparison is not relevant. Other depositories apply haircut rates derived in a manner similar to that applied in the calculation of the proposed haircut rates.

G. PUBLIC INTEREST ASSESSMENT

CDS has determined that the proposed amendments are not contrary to the public interest.

H. COMMENTS

Comments on the proposed amendments should be in writing and submitted within 30 calendar days following the date of publication of this notice in the Ontario Securities Commission Bulletin to:

David Stanton
Chief Risk Officer
CDS Clearing and Depository Services Inc.
85 Richmond Street West
Toronto, Ontario M5H 2C9

Phone: (416) 365-8489
Email: dstanton@cds.ca

Copies should also be provided to the Autorité des marchés financiers and the Ontario Securities Commission by forwarding a copy to each of the following individuals:

M^{e} Anne-Marie Beaudoin
Secrétaire del'Autorité
Autorité des marchés financiers
800, square Victoria, 22^{e} étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Télécopieur: (514) 864-6381
Courrier électronique: consultation-en-cours@lautorite.qc.ca

Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario, M5H 3S8

Fax: 416-595-8940
e-mail: marketregulation@osc.gov.on.ca

CDS will make available to the public, upon request, all comments received during the comment period.

I. PROPOSED CDS PROCEDURE AMENDMENTS

Attached at Appendix A are the clean and blacklined versions of the proposed procedural amendments.

Access to the proposed amendments to the CDS Procedures is also provided on the User documentation revisions web page (http://www.cds.ca/cdsclearinghome.nsf/Pages/-EN-blacklined?Open) and to the CDS Forms (if applicable) on Forms online (Click View by Form Category and in the Select a Form Category list, click External review) on the CDS Services web page (www.cdsservices.ca).

Appendix "A"

CHAPTER 10 AGGREGATE COLLATERAL VALUE
ACV edit for U.S. dollar transactions

10.4 ACV edit for U.S. dollar transactions

Since ACV currently supports Canadian dollar transactions only, a participant's ACV for a security with a U.S. funds market price is converted to Canadian funds, using a Canadian to U.S. exchange rate. Participants use the Security Price/Rate Inquiry function to view information on the prices and rates used by CDSX to calculate the ACV price of the security. For more information, refer to *CDSX Procedures and User Guide.*

10.5 Haircuts

Haircuts are applied against the market price to determine the value of the security for the purposes of the ACV edit as follows:

- Debt instruments, haircuts are based on the security class, an issuer rating and its term to maturity.
- Equities, CDS uses a value-at-risk (VaR) based methodology to calculate haircut rates for equity securities. For more information, see CNS participant funds on page 193.

The haircut represents the dollar value that securities could decline by from default to liquidation. The size of the haircut depends on the level of risk associated with the securities.

CDSX debt haircuts

The table below indicates the haircut rates that CDS applies to the market value of each debt security type.

Security type	Term to maturity				
	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Greater than 10 years
Government of Canada	0.5%	1.0%	1.5%	2.0%	3.0%
Federated guaranteed	1.0%	1.5%	2.5%	4.0%	4.5%
Provincial	1.5%	2.0%	3.0%	4.5%	6.0%
Provincial guaranteed	2.0%	2.5%	3.5%	5.0%	6.5%
Corporate AAA	3.0%	3.5%	4.0%	6.5%	9.0%
Corporate AA	3.0%	3.5%	4.0%	6.5%	9.0%
Corporate A	5.0%	5.5%	6.0%	8.5%	11.0%
Unrated public sector entities and government grants	15.0%	16.0%	17.0%	18.5%	20.0%
Unrated munis	20.0%	21.0%	22.0%	23.5%	25.0%
Corporate BBB	30.0%		32.0%	33.0%	35.0%

Security type	Term to maturity				
	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Greater than 10 years
Corporate BB	100.0%				
Corporate B	100.0%				
Corporate C	100.0%				
U.S. Treasury bills, notes and bonds (interest-bearing and zero-coupon bonds)[1]	1.0%		1.5%	3.0%	4.5%

[1] The value of U.S. Treasury securities is determined using NSCC haircuts that apply to zero-coupon bonds.

Haircut rates for new issues

A standard haircut rate of 25 per cent is applied to all new equity issues, unless the haircut rate is not appropriate for the particular new issue. The standard haircut rate is reviewed and validated on a regular basis, and CDS reserves the right to adjust the rate. After the initial 20-day period has elapsed, the haircut rate is calculated by the Internal Risk Management System (IRMS) at the next haircut calculation run, subject to the minimum haircut rate of 15 per cent for the first year.

Haircut rates for equities with static prices

For equities with no price change for a period of 20 or more consecutive days in the most recent 260-day price history, CDS applies a default haircut rate of 75 per cent.

10.6 Sector limits

Sector limits are applicable to extenders of credit, federated participants and settlement agents, and their family members. The sector limits indicated in the table below ensure that a participant's ACV is not concentrated in certain types of securities.

Sector limit	Field	Description
Government sector limit	GSL	Calculated as 25 per cent of the company cap and is made up of non-federal-government-sector-issued securities (provincial debt, federally-guaranteed debt and provincially-guaranteed debt)
Private sector limit	PSL	Calculated as 15 per cent of the company cap and is made up of private-sector-issued debt securities
Unrated debt limit	UDL	Set at 0 and is made up of unrated public sector bonds and unrated municipal bonds

10.4 ACV edit for U.S. dollar transactions

Since ACV currently supports Canadian dollar transactions only, a participant's ACV for a security with a U.S. funds market price is converted to Canadian funds, using a Canadian to U.S. exchange rate. Participants use the Security Price/Rate Inquiry function to view information on the prices and rates used by CDSX to calculate

the ACV price of the security. For more information, refer to *CDSX Procedures and User Guide.*

10.5 Haircuts

Haircuts are applied against the market price to determine the value of the security for the purposes of the ACV edit as follows:

- Debt instruments, haircuts are based on the security class, an issuer rating and its term to maturity.
- Equities, CDS uses a value-at-risk (VaR) based methodology to calculate haircut rates for equity securities. For more information, see CNS participant funds on page 193.

The haircut represents the dollar value that securities could decline by from default to liquidation. The size of the haircut depends on the level of risk associated with the securities.

CDSX debt haircuts

The table below indicates the haircut rates that CDS applies to the market value of each debt security type.

Security type	Term to maturity				
	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Greater than 10 years
Government of Canada	~~1.0%~~ 0.5%	1.0%	1.5%	2.0%	~~2.5%~~ 3.0%
Federated guaranteed	~~1.5%~~ 1.0%	~~2.0%~~ 1.5%	2.5%	~~3.0%~~ 4.0%	~~3.5%~~ 4.5%
Provincial	~~2.0%~~ 1.5%	~~3.0%~~ 2.0%	~~3.5%~~ 3.0%	~~4.0%~~ 4.5%	~~4.5%~~ 6.0%
Provincial guaranteed	~~3.0%~~ 2.0%	~~4.0%~~ 2.5%	~~4.5%~~ 3.5%	5.0%	~~5.5%~~ 6.5%
Corporate AAA	~~4.0%~~ 3.0%	~~4.0%~~ 3.5%	~~5.0%~~ 4.0%	~~5.5%~~ 6.5%	~~6.0%~~ 9.0%

Security type	Term to maturity				
	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Greater than 10 years
Corporate AA	~~7.5%~~ 3.0%	~~7.5%~~ 3.5%	~~8.5%~~ 4.0%	~~9.0%~~ 6.5%	~~10.0%~~ 9.0%
Corporate A	~~12.0%~~ 5.0%	~~12.0%~~ 5.5%	~~13.0%~~ 6.0%	~~13.5%~~ 8.5%	~~15.0%~~ 11.0%
Unrated public sector entities and government grants	15.0%	16.0%	17.0%	18.5%	20.0%
Unrated munis	20.0%	21.0%	22.0%	23.5%	25.0%
Corporate BBB	30.0%		32.0%	33.0%	35.0%
Corporate BB	100.0%				
Corporate B	100.0%				
Corporate C	100.0%				
U.S. Treasury bills, notes and bonds (interest-bearing and zero-coupon bonds)[1]	~~2.0%~~ 1.0%		~~5.0%~~ 1.5%	~~5.0%~~ 3.0%	~~5.0%~~ 4.5%

[1] The value of U.S. Treasury securities is determined using NSCC haircuts that apply to zero-coupon bonds.

Haircut rates for new issues

A standard haircut rate of 25 per cent is applied to all new equity issues, unless the haircut rate is not appropriate for the particular new issue. The standard haircut rate is reviewed and validated on a regular basis, and CDS reserves the right to adjust the rate. After the initial 20-day period has elapsed, the haircut rate is calculated by the Internal Risk Management System (IRMS) at the next haircut calculation run, subject to the minimum haircut rate of 15 per cent for the first year.

Haircut rates for equities with static prices

For equities with no price change for a period of 20 or more consecutive days in the most recent 260-day price history, CDS applies a default haircut rate of 75 per cent.

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