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

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Table of Contents

Chapter 1

Notices / News Releases

1.4 Notices from the Office of the Secretary

1.4.1 Practice Guideline for French Hearings and Consolidation of the Rules of Procedure of the Ontario Securities Commission as of April 8, 2014

FOR IMMEDIATE RELEASE
April 15, 2014

PRACTICE GUIDELINE FOR FRENCH HEARINGS AND
CONSOLIDATION OF THE RULES OF PROCEDURE OF THE ONTARIO SECURITIES COMMISSION
AS OF APRIL 8, 2014

TORONTO – The Ontario Securities Commission (the "Commission") has approved amendments to the Rules of Procedure of the Commission (2012), 35 O.S.C.B. 10071 (the "Rules") and a practice guideline on the use of the French language in adjudicative proceedings (the "Practice Guideline").

Practice Guideline for French Hearings

The adopted Practice Guideline is consistent with the French *Language Services Act*, R.S.O. 1990, c. F.32, (the "FLSA") guarantee to every person of the right to communicate with and to receive all services in French from the Government of Ontario, its ministries and agencies, and the right to full and equal access to administrative justice services.

The Practice Guideline applies to all proceedings before the Commission where the Commission is required under the *Securities Act*, R.S.O. 1990, c. S.5, as amended and the *Commodity Futures Act*, R.S.O. 1990, c. C.20, or otherwise by law, to hold a hearing or to afford to the parties to the proceeding an opportunity for a hearing before making a decision. The Practice Guideline is issued pursuant to Rule 1.3 of the Rules.

The Practice Guideline was developed in accordance with the Rules, the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22 (the "SPPA") and the FLSA.

Amendment of the Rules

On April 8, 2014, the Commission approved a housekeeping amendment to Rule 10.4 to direct the public to the Practice Guideline for French Hearings.

Following the introduction and successful implementation of a procedure for settlement pursuant to Rule 12, the Commission has approved a housekeeping amendment to Rule 6 to provide that a Panel that presides over a pre-hearing conference at which the parties attempt to settle any or all of the allegations shall not preside at the hearing on the merits unless the parties consent. The amendment to Rule 6 reflects the practice previously initiated and described in the Notice from the Office of the Secretary dated July 28, 2009 Re: Interim Orders, Pre-Hearing Conferences and Interlocutory Motions and is intended to assist in the just and most expeditious disposition of proceedings.

The amendments to the Rules were adopted pursuant to section 25.1 of the SPPA.

These amendments take effect immediately and apply to all proceedings before the Commission, including proceedings commenced by a Notice of Hearing issued by the Office of the Secretary prior to the adoption of the amended Rules.

Consolidation of the Rules as of April 8, 2014

There have been three previous amendments to the Rules.

The Rules came into force on April 1, 2009 ((2009), 32 O.S.C.B. 1991), and apply to all proceedings before the Commission commencing on or after that date.

The Rules were previously amended on July 20, 2010, when the Commission adopted Rule 12 concerning Settlement Agreements ((2010), 33 O.S.C.B. 6653), on August 31, 2010, when the Commission approved amendments to bring the Rules in conformity with the SPPA definition of "representative" ((2010), 33 O.S.C.B. 8017) and on October 25, 2012, when the

Commission approved a housekeeping amendment to remove a requirement that a Statement of Allegations or an application under Rule 2 be removed from the Commission's website in the case of a withdrawal ((2012), 35 O.S.C.B. 10071).

These amendments took effect immediately and apply to all proceedings before the Commission, including proceedings commenced by a Notice of Hearing issued by the Office of the Secretary prior to the adoption of the amended Rules.

Publication of the Practice Guidelines and Rules

The *Rules of Procedure* (Amendment and Consolidation as of April 8, 2014) are published in the *OSC Bulletin* and are available on the Commission's website.

A copy of the Commission's Practice Guideline dated April 8, 2014 with respect to French Hearings is also available on the Commission's website.

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1.4.2 Restated Notice from the Office of the Secretary Re: Interim Orders, Prehearing Conferences and Interlocutory Motions

RESTATED NOTICE FROM THE OFFICE OF THE SECRETARY
Re: Interim Orders, Pre-Hearing Conferences and Interlocutory Motions
(Replacing the Notice from the Office of the Secretary dated Tuesday, July 28, 2009)

April 15, 2014

The Notice dated July 28, 2009 has been restated to reflect amendments to subsection 3.5(3) of the *Ontario Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") and Rules 6 and 12 of the *Ontario Securities Commission Rules of Procedure* (the "Rules").

On July 21, 2009, the Ontario Securities Commission (the "Commission") approved the adoption of changes to the Commission's then current case management procedures. The Commission's case load and adjudicative sitting days had considerably increased over the years, with much of the increase being attributable to the substantial rise in the number and complexity of procedural and other interlocutory matters. The Commission therefore determined that its case management procedures should be amended in order to ensure that the Commission can continue to resolve matters fairly, cost-effectively and expeditiously.

The case management procedures, as outlined in this Notice, are intended to enhance the early identification and resolution of preliminary matters to: (i) ensure that adjudicative proceedings can be brought on for final resolution more rapidly and more cost effectively; (ii) enhance the flexibility of the hearings schedule; and (iii) reduce the demands on the time and resources of both the parties and the Commission.

Effective as of July 28, 2009, the Commission implemented a practice of assigning a single commissioner (the "designated commissioner"), where practicable, to each adjudicative matter at its commencement to preside over and to hear and determine all matters leading up to the hearing on the merits. The designated commissioner will be authorized to hear and make orders on any case management and interlocutory matters such as applications for interim orders[1] and motions pursuant to the Rules[2] or the *Ontario Securities Commission Rules of Practice* (the "Rules of Practice").[3]

The designated commissioner will be selected from the list of commissioners named in the Commission's Authorization Order pursuant to subsection 3.5(3) of the Act.[4]

The designated commissioner will be assigned to a matter once a Notice of Hearing has been issued,[5] or when an interim order has been issued by the Commission pursuant to section 127 of the Act prior to the issuance of a Notice of Hearing, as deemed appropriate in the circumstances.

Although it is anticipated that a designated commissioner will normally preside alone to hear and determine matters in order to effectively manage the hearing process until the commencement of the hearing on the merits, the designated commissioner retains his or her discretion to request that another commissioner or two other commissioners, as the case may be, sit with him or her as a panel to assist in hearing and determining any issue.

Although it is intended that the designated commissioner will be a panel member on the hearing on the merits, there may be circumstances when the designated commissioner may decide not to do so, for reasons of availability or otherwise.

The designated commissioner may, in the context of managing the case, assist parties in exploring the resolution of any or all matters, including, on consent of the parties, referring the parties to another commissioner to assist in settlement discussions. Except with the consent of the parties, the designated commissioner will not be a panel member on the hearing on the merits if

1 Interim orders include cease trade orders issued by the Commission pursuant to subsections 127(1)1, 127(1)2, 127(1)3,127(1)5ii, and/or 127(5) of the Act prior to the issuance of a Notice of Hearing but exclude matters heard under Part VI of the Act.

2 The *Ontario Securities Commission Rules of Procedure* (2012), 35 O.S.C.B. 10071, made under the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22 (the "SPPA") are available on the Commission's website. The Rules apply to all proceedings before the Commission where the Commission is required under the Act, the *Commodity Futures Act*, R.S.O. 1990, c. C.20 or otherwise by law to hold a hearing or to afford to the parties to the proceeding an opportunity for a hearing before making a decision. The Rules apply to all proceedings before the Commission commenced on or after April 1, 2009.

3 (1997), 20 O.S.C.B. 1947 effective July 1, 1997. The Commission's *Rules of Practice* will, however, continue to apply to all proceedings commenced on or prior to March 31, 2009.

4 Subsection 3.5(3) of the Act authorizes one member of the Commission to exercise any of the powers and perform any of the duties of the Commission, including the power to conduct contested hearings on the merits.

5 Once a Notice of hearing has been issued, hearings of the Ontario Securities Commission are conducted under the authority of the SPPA.

he or she has participated in settlement discussions about settling any or all of the allegations in any matter in which he or she has acted as the designated commissioner.

Issues that may be heard and determined by a designated commissioner include, but are not limited to, the following:

a) issue interim cease trade orders pursuant sections 127(1)1, 127(1)2, 127(1)3, 127(1)(5)ii, and/or 127(5) of the Act;

b) extension of a cease trade order pursuant to sections 127(7) and/or 127(8) of the Act;

c) interlocutory issues pursuant to section 6 of the SPPA;

d) issues raised at a Pre-hearing Conference conducted pursuant to Rule 6 of the Rules of Procedure or Rule 2 of the Rules of Practice;

e) motion(s) brought pursuant to Rule 3 of the Rules of Procedure or Rule 6 of the Rules of Practice.

For more information, please contact:
Josée Turcotte
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jturcotte@osc.gov.on.ca

1.4.3 Issam El-Bouji et al.

FOR IMMEDIATE RELEASE
April 16, 2014

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

AND

IN THE MATTER OF
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION,
GLOBAL GROWTH ASSETS INC.,
GLOBAL EDUCATION TRUST FOUNDATION
AND MARGARET SINGH

TORONTO – Following a hearing held today, the Commission issued an Order in the above named matter approving the Settlement Agreement reached between Staff of the Commission and the Respondents Issam El-Bouji, Global RESP Corporation, Global Growth Assets Inc., Global Educational Trust Foundation and Margaret Singh.

A copy of the Order dated April 16, 2014 and Settlement Agreement dated April 14, 2014 are available at www.osc.gov.on.ca.

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1.4.4 Morgan Dragon Development Corp. et al.

FOR IMMEDIATE RELEASE
April 17, 2014

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

AND

IN THE MATTER OF
MORGAN DRAGON DEVELOPMENT CORP.,
JOHN CHEONG (aka KIM MENG CHEONG),
HERMAN TSE, DEVON RICKETTS
and MARK GRIFFITHS

TORONTO – Following the hearing on the merits held *In Writing* in the above named matter, the Commission issued its Reasons and Decision.

The Commission also issued an Order in the above named matter which provides that the hearing to determine sanctions and costs will be held at the offices of the Commission at 20 Queen Street West, 17th floor, Toronto, ON, on June 12, 2014, at 10:00 a.m., or such further or other dates as agreed by the parties and set by the Office of the Secretary.

A copy of the Reasons and Decision and Order dated April 15, 2014 are available at www.osc.gov.on.ca.

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1.4.5 Issam El-Bouji et al.

FOR IMMEDIATE RELEASE
April 17, 2014

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

AND

IN THE MATTER OF
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION,
GLOBAL GROWTH ASSETS INC.,
GLOBAL EDUCATIONAL TRUST FOUNDATION
AND MARGARET SINGH

TORONTO – The Commission issued an Order in the above named matter which provides that the hearing dates scheduled for April 21, 23, 24, 25, 28, 29 and 30, 2014 shall be vacated.

A copy of the Order dated April 17, 2014 is available at www.osc.gov.on.ca.

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1.4.6 Matthew Schloen

FOR IMMEDIATE RELEASE
April 17, 2014

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

AND

IN THE MATTER OF
MATTHEW SCHLOEN

TORONTO – Following a hearing held today, the Commission issued an Order in the above named matter approving the Settlement Agreement reached between Staff of the Commission and Matthew Schloen.

A copy of the Order dated April 17, 2014 and Settlement Agreement dated March 30, 2014 are available at www.osc.gov.on.ca.

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1.4.7 Quadrexx Hedge Capital Management Ltd. et al.

FOR IMMEDIATE RELEASE
April 21, 2014

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

AND

IN THE MATTER OF
QUADREXX HEDGE CAPITAL MANAGEMENT LTD.,
QUADREXX SECURED ASSETS INC.,
MIKLOS NAGY and TONY SANFELICE

TORONTO – The Commission issued an Order in the above noted matter which provides that the hearing is adjourned to a confidential pre-hearing conference to be held on September 5, 2014 at 10:00 a.m.

The pre-hearing conference will be held *in camera.*

A copy of the Order dated April 17, 2014 is available at www.osc.gov.on.ca.

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1.4.8 Quadrexx Asset Management Inc. et al.

FOR IMMEDIATE RELEASE
April 22, 2014

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

AND

IN THE MATTER OF
QUADREXX ASSET MANAGEMENT INC.,
QUADREXX SECURED ASSETS INC.,
OFFSHORE OIL VESSEL SUPPLY SERVICES LP,
QUIBIK INCOME FUND AND
QUIBIK OPPORTUNITIES FUND

TORONTO – The Commission issued an Order in the above named matter which provides that, pursuant to subsection 127(8) of the Act, the portion of the Temporary Order issued under paragraph 2 of subsection 127(1) that ordered all trading to cease in the securities of QSA is extended until a final determination is made in respect of QSA in the Proceeding, other than as may be required to facilitate the partial return of monies to QSA investors.

A copy of the Order dated April 17, 2014 is available at www.osc.gov.on.ca.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Nord Gold N.V.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application by foreign issuer for a decision that it is no longer reporting issuers in the jurisdictions – foreign issuer has a 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 and do not comprise more than 2% of the total number of securityholders of the issuer – In the preceding 12 months, foreign issuer has not taken any steps that indicate there is a market for its securities in Canada – The issuer's securities are not listed on any stock exchange or traded on a marketplace in Canada – The foreign issuer has no intention of distributing its securities to the public – Canadian securityholders will continue to receive continuous disclosure as required by UK law – The foreign issuer previously announced that it was applying for a decision that it is not a reporting issuer – Requested relief granted.

Applicable Legislative Provisions

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

April 15, 2014

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA ONTARIO, 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
NORD GOLD N.V.
(the "Filer")

DECISION

Background

The securities regulatory authority or regulator in each of the Jurisdictions (each a **"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 in the Jurisdictions (the **"Exemptive Relief Sought"**).

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

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

(b) this 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 herein.

Representations

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

1. The Filer is a gold production company with operating mines in Burkina Faso, Guinea, Kazakhstan and Russia.

2. The Filer is incorporated under the laws of the Netherlands and its registered office address is Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, the Netherlands.

3. As of October 29, 2013, the Filer's share capital was comprised of 378,121,955 ordinary shares (**"Shares"**). The Shares are not traded on any stock exchange.

4. As of October 29, 2013, 59,062,030 global depositary receipts (**"GDRs"**) of the Filer had been issued through Deutsche Bank Trust Company Americas (the **"GDR Depositary"**), with each GDR representing the right to receive one issued and outstanding Share held by the GDR Depositary. Each GDR also represents the right to receive cash or any other property received by the GDR Depositary on behalf of the owner of the GDR. The GDRs are listed on the London Stock Exchange (the **"LSE"**).

5. All Shares, other than those represented by GDRs, are held, directly or indirectly, by a single investor who is not a Canadian resident.

6. On October 19, 2012, the Filer offered to acquire all of the issued and outstanding common shares (**"High River Shares"**) of High River Gold Mines Ltd. (**"High River"**), at the time a reporting issuer in the Jurisdictions, not already owned by the Filer in exchange for, at the election of the holder, 0.285 of a GDR or $1.40 in cash per High River Share held (the **"Take-over Bid"**).

7. The Take-over Bid expired on December 8, 2012, with the Filer having acquired 192,039,770 High River Shares under the Take-over Bid, representing approximately 91.6% of the High River Shares held by persons other than the Filer. A portion of the consideration for such acquired High River Shares was paid in GDRs.

8. Effective on March 12, 2013, the Filer acquired all of the remaining issued and outstanding High River Shares not already owned by it by way of a statutory plan of arrangement under the *Business Corporations Act* (Yukon) (the **"Arrangement"**) in exchange for, at the election of the holder, 0.285 of a GDR or $1.40 in cash for each High River Share held. A portion of the consideration for the High River Shares acquired under the Arrangement was paid in GDRs.

9. As a result of the Filer issuing GDRs in exchange for High River Shares pursuant to the Take-over Bid and the Arrangement, the Filer became a reporting issuer in the Jurisdictions.

10. On May 7, 2013, the Filer issued, by private placement, US$500 million of 6.375% guaranteed notes due 2018 (the **"Notes"**). The Notes trade on the Global Exchange Market of the Irish Stock Exchange (the **"ISE"**). This is the only public offering of debt that the Filer has made.

11. The Notes were not offered for sale in Canada, trade on an exchange outside Canada and the Filer has not taken any steps, through marketing, Canadian agents or otherwise, to develop a market for the Notes in Canada. Based on the foregoing, the Filer has no reason to believe that any of the Notes are held by Canadian residents.

12. The Filer does not have any outstanding securities other than the Shares, the GDRs and the Notes.

13. The Filer qualifies as a designated foreign issuer (as defined in National Instrument 71-102 *Continuous Disclosure and other Exemptions Relating to Foreign Issuers* (**"NI 71-102"**)) in Canada and is subject to the securities laws of the Netherlands and the United Kingdom and the rules of the LSE and the ISE.

14. The Filer is not in default of any of its obligations under securities legislation in any of the Jurisdictions as a reporting issuer.

15. The Filer is not in default of any of its obligations under the securities laws of the Netherlands or the United Kingdom or the rules of the LSE or the ISE.

16. Other than in connection with the Take-over Bid and the Arrangement, the Filer has not issued securities in Canada.

17. No securities of the Filer, including debt securities, are, or have been, listed, traded or quoted on a marketplace (as defined in National Instrument 21-101 *Marketplace Operation*) in Canada, and the Filer does not intend to have its securities listed, traded or quoted on such a marketplace in Canada.

18. In August 2013, the Filer commissioned an analysis of the beneficial holders of GDRs (including geographic location) from King Worldwide Investor Relations (**"King Worldwide"**). King Worldwide performed an examination of the beneficial holdings of GDRs by reviewing reports of GDR ownership from public sources and from Deutsche Bank Trust Company Americas (the depositary for the GDRs) and contacting suspected beneficial holders of GDRs to confirm their ownership. Using such analysis and the knowledge that there is a single non-Canadian holder of all Shares not represented by GDRs, the Filer was able to identify the beneficial holders of over 98% of the Shares. Based on such analysis and the facts set forth in the above representations, there are:

    (a) 380,106 Shares beneficially held by Canadian residents (all indirectly through the ownership of GDRs), representing 0.1% of the issued and outstanding Shares; and

    (b) two beneficial holders of Shares (both indirectly through the ownership of GDRs) resident in Canada, representing 1.06% of the total number of holders of issued and outstanding securities of the Filer (being the Shares, the GDRs and the Notes).

19. Based on the due diligence conducted by the Filer, residents of Canada do not:

    (a) directly or indirectly beneficially own more than 2% of each class or series of outstanding securities (including debt securities) of the Filer worldwide; and

    (b) directly or indirectly comprise more than 2% of the total number of securityholders of the Filer worldwide.

20. The Filer intends to maintain the listing of the GDRs on the LSE and the listing of the Notes on the ISE and, as such, the Filer expects that it will remain subject to the continuous disclosure requirements of the Netherlands and the United Kingdom and the rules of the LSE and the ISE. Such disclosure requirements are similar to the requirements under the laws of the Jurisdictions and are, pursuant to Part 5 of NI 71-102, generally acceptable for purposes of a designated foreign issuer complying with the continuous disclosure requirements in the Jurisdictions.

21. Canadian resident holders of securities of the Filer will have the same rights under the securities laws and corporate laws of the Netherlands and the United Kingdom, as applicable, as non-Canadian resident holders of such securities.

22. In the 12 months before the application for this decision was made, the Filer did not take any steps that indicate there is a market for its securities in Canada and the Filer has no plans to conduct a public offering or private placement of its securities in Canada.

23. There is currently no market in Canada through which Shares, GDRs or Notes may be sold, and no market is expected to develop.

24. The Filer disclosed its intention to apply to cease to be a reporting issuer in Canada in a press release dated November 7, 2013, which was filed under the Filer's profile on the System for Electronic Document Analysis and Retrieval (**"SEDAR"**) and was also made available on the Filer's website.

25. The Filer undertakes to concurrently deliver to each Canadian holder of a security of the Filer all disclosure that the Filer is required under the corporate and securities laws of each of the Netherlands and the United Kingdom, and the rules of each of the LSE (with respect to the GDRs) and the ISE (with respect to the Notes), to deliver to non-Canadian resident holders of such type of security.

26. Upon granting of the Exemptive Relief Sought in respect of the Filer, the Filer will no longer be a reporting issuer in any jurisdiction of Canada.

27. The Filer is not eligible for the simplified procedure described in CSA Staff Notice 12-307 because the Filer (i) is a reporting issuer in British Columbia and cannot voluntarily surrender its reporting issuer status in British Columbia, as it does not qualify as a "closely held reporting issuer" (as defined in British Columbia Instrument 11-502 *Voluntary Surrender of Reporting Issuer Status*); (ii) has more than 51 securityholders worldwide; and (iii) has securities traded on marketplaces (as defined in National Instrument 21-101 *Market-place Operation*) outside Canada. The Filer meets the conditions of CSA Staff Notice 12-307 relating to the modified approach for foreign issuers.

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.

"Judith Robertson"
Commissioner
Ontario Securities Commission

"Anne Marie Ryan"
Commission
Ontario Securities Commission

2.1.2 Newfoundland Capital Corporation Limited

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Application by foreign issuer for a decision that it is no longer reporting issuers in the jurisdictions – foreign issuer has a 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 and do not comprise more than 2% of the total number of securityholders of the issuer – In the preceding 12 months, foreign issuer has not taken any steps that indicate there is a market for its securities in Canada – The issuer's securities are not listed on any stock exchange or traded on a marketplace in Canada – The foreign issuer has no intention of distributing its securities to the public – Canadian securityholders will continue to receive continuous disclosure as required by UK law – The foreign issuer previously announced that it was applying for a decision that it is not a reporting issuer – Requested relief granted.

Applicable Legislative Provisions

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

April 9, 2014

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

AND

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

AND

IN THE MATTER OF
NEWFOUNDLAND CAPITAL CORPORATION LIMITED
(the Filer)

DECISION

Background

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 each of the Jurisdictions (the "Legislation") to grant an exemption to the Filer from the requirement to include certain financial statements under section 8.4 of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102") in the business acquisition report ("BAR") of the Filer related to the Acquisition of the Acquired Assets, as those terms are defined herein.

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

(i) the Nova Scotia Securities Commission is the principal regulator for this application;

(ii) 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 British Columbia, Alberta, Manitoba, Saskatchewan, Quebec, New Brunswick, Prince Edward Island and Newfoundland and Labrador; and

(iii) 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 as is 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 amalgamated under the Canada Business Corporations Act, with its head office located in Dartmouth, Nova Scotia.

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

3. The Filer's Class A Subordinate Voting Shares and Class B Multiple Voting Shares are listed for trading on the Toronto Stock Exchange under the symbols "NCC.A" and "NCC.B", respectively.

4. The Filer is predominantly involved in radio broadcasting through its wholly owned subsidiary Newcap Inc. ("Newcap") which holds 95 radio licenses across Canada, including the Acquired Assets.

5. The Filer's fiscal year end falls on December 31 in each year.

6. On August 26, 2013, Newcap entered into a definitive agreement with Bell Media Inc. ("Bell Media") to acquire from Bell Media the radio broadcasting licenses CHBM-FM ("Boom 97.3") and CFXJ-FM ("93.5 The Flow") in Toronto, Ontario and CKZZ-FM ("Virgin Radio 95.3"), CHHR-FM ("Shore 104.3 FM"), and CISL-AM ("AM 650") in Vancouver, British Columbia (collectively, the "Acquired Assets"), for a price of $112 million plus the assumption of certain liabilities (the "Acquisition"). The Acquisition was subject to approval from the Canadian Radio-television and Telecommunications Commission ("CRTC").

7. 93.5 The Flow (the "Bell Station") has been owned and operated by Bell Media since prior to July 5, 2013 (the "Astral Acquisition Date").

8. On the Astral Acquisition Date, Bell Media acquired a number of assets from Astral Media Inc. ("Astral Media"), including Boom 97.3, Virgin Radio 95.3, Shore 104.3 FM, and AM 650 (collectively, the "Former Astral Stations").

9. As a CRTC condition of the acquisition by Bell Media of the Former Astral Stations, the Acquired Assets were placed in trust on the Astral Acquisition Date pending their divesture to third parties.

10. Upon the Astral Acquisition Date, the voting control of the Acquired Assets was transferred from Bell Media to Pierre Boivin, the trustee, and such control remained with the trustee until the completion of the Acquisition on March 31, 2014.

11. The Acquisition was announced by press release of the Filer dated August 26, 2013 and closed on March 31, 2014.

12. Prior to their acquisition by Bell Media, the business year end for the Former Astral Stations was August 31. A year end was triggered for the Former Astral Stations on the Astral Acquisition Date. Prior to the Astral Acquisition Date, the business year end for 93.5 The Flow was December 31. In connection with the Acquisition, Bell Media has changed the year end of the Acquired Assets to March 30, 2014, being the day immediately prior to the closing date of the Acquisition (the "Revised Year End").

13. The Acquisition is a "significant acquisition" for the Filer within the meaning of section 8.3 of NI 51-102. In particular, Acquired Assets are approximately 72 percent of the consolidated assets of the Filer, the investment in or advances by the Filer in the business acquired in the Acquisition is approximately 52% of the consolidated assets of the Filer prior to such investment or advances, and the earnings before interest, taxes, depreciation and amortization ("EBITDA") from the Acquired Assets is approximately 55% of the EBITDA of the Filer. Accordingly, the Filer is required to file a BAR in accordance with section 8.2 of NI 51-102.

14. The Filer is unable to prepare the required financial statements for the Acquired Assets in accordance with Section 8.4 of NI 51-102 for the period prior to the Astral Acquisition Date for the following reasons:

    i. the Acquired Assets were not accounted for as a separate division or legal entity of either Bell Media or Astral Media;

    ii. the Acquired Assets did not represent material assets of either Astral Media or Bell Media;

    iii. the key operating assets and liabilities of the Acquired Assets were integrated with the overall Bell Media and Astral Media businesses;

iv. stand-alone financial statements of the Acquired Assets have never been prepared, except for operational income statements reflecting primarily the direct revenues and expenses of the stations;

v. historically, the assets and liabilities of the Acquired Assets have generally been aggregated with the overall assets and liabilities of Astral Media or Bell Media, as applicable, and separate cash balances were not maintained for the Acquired Assets;

vi. the equity and other capital balance items were not maintained for the Acquired Assets and such items were aggregated at the Bell Media and Astral Media level;

vii. since the Acquired Assets were integrated in the overall business and structure of each of Bell Media and Astral Media, the Acquired Assets were largely dependent on each of Bell Media's and Astral Media's administrative support functions (such as accounting, treasury, tax, legal, risk management, IT, marketing, procurement, and human resources);

viii. the assumptions required for the Filer to produce the financial statements would by necessity be arbitrary and speculative and undermine the reliability of those statements; and

ix. any attempts to construct cash flow statements for the Acquired Assets would entail numerous assumptions with respect to opening cash balances and sources and uses of cash for financing and operational purposes that are unlikely to be indicative of what the Acquired Assets would have experienced as a stand-alone company.

15. The Filer proposes to provide the following alternative financial information (the "Alternative Financial Information") with respect to the Acquired Assets:

i. financial information for the Acquired Assets as follows:

a. on a combined basis including the Former Astral Stations and Bell Station, audited combined financial statements for the period beginning on the Astral Acquisition Date and ending on the Revised Year End, with unaudited combined comparative balance sheet as of the Astral Acquisition Date and no other comparative statements;

b. for the Bell Station, an unaudited statement of operations for the 369 days ended the day prior to the Astral Acquisition Date; and

c. for the Former Astral Stations on a combined basis, an unaudited statement of operations for the 369 days ended the day prior to the Astral Acquisition Date;

provided that the statements of operations referred to in subparagraphs (b) and (c) above would include revenue less direct and common market costs and will include all expenses other than indirect operating costs not directly attributable to the business; and

ii. unaudited pro-forma balance sheet and income statement of the Filer for the fiscal year ended December 31, 2013, giving effect to the Acquisition, which will include a constructed statement of operations only for the Acquired Assets detailing revenues and expenses attributable to the Acquired Assets, together with any unaudited pro-forma combined balance sheet and income statement of the Filer for the interim period for which financial statements have been filed.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the relevant regulator or securities regulatory authority to make the decision.

The decision of the Decision Maker under the Legislation is that the Exemption sought is granted, provided that the Alternative Financial Information is included by the Filer in its BAR.

"Kevin Redden"
Director, Corporate Finance
Nova Scotia Securities Commission

2.1.3 LDIC Inc. and LDIC North American Energy Infrastructure Fund

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted for extension of lapse date of prospectus – Lapse date extended due to Filer's inadvertent failure to file a pro forma prospectus not less than thirty days prior to the lapse date as per section 62(2) of the Securities Act (Ontario).

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 62(5).

April 14, 2014

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
LDIC INC.
(the Filer)

AND

IN THE MATTER OF
LDIC NORTH AMERICAN ENERGY
INFRASTRUCTURE FUND
(the Fund)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer, on behalf of the Fund, for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) for the time limits for the filing of the pro forma simplified prospectus (the **Renewal Prospectus**), final simplified prospectus and receipt for the final simplified prospectus as prescribed by subsection 62(2) of the *Securities Act* (Ontario) (the **Act**) and the equivalent provisions in the securities legislation of the Other Jurisdictions (as defined below) to be extended to the time periods that would be applicable if the lapse date for the distribution of the Class A and Class F units of the Fund (the Units) had been May 2, 2014 (the **Exemption Sought**), in accordance with subsection 62(5) of the Act and the equivalent provisions contained in the securities legislation of the Other Jurisdictions.

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

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

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

Interpretation

Terms defined in National Instrument 14-101 *Definitions* or 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 pursuant to the laws of the Province of Ontario. The Filer is the manager and portfolio advisor of the Fund. The head office of the Filer is located in Toronto, Ontario.

2. The Fund is organized as a mutual fund trust and has been established pursuant to a declaration of trust under the laws of the Province of Ontario.

3. The Fund is a reporting issuer in the Jurisdiction and each of the Other Jurisdictions.

4. Neither the Filer nor the Fund are in default of the Legislation.

5. The Units are currently distributed to the public in the Jurisdiction and the Other Jurisdictions pursuant to a simplified prospectus dated April 18, 2013 (the **Current Prospectus**). The lapse date for the Current Prospectus under the Legislation is April 18, 2014 (the **Lapse Date**).

6. The Filer intended to file the Renewal Prospectus on March 18, 2014 (the **Pro Forma Filing Deadline**), being 30 days before the Lapse Date, in accordance with subsection 62(2)(a) of the Act, but through inadvertence failed to do so. As soon as the Filer realized that the Pro Forma Filing Deadline had passed, it filed the Renewal Prospectus as expeditiously as possible.

7. On April 4, 2014, the Renewal Prospectus was filed under SEDAR project number 2190418 in each of the Jurisdiction and the Other Jurisdictions.

8. If the Exemption Sought is not granted, the Fund will have to cease distribution of the Units to investors after the Lapse Date.

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.

"Raymond Chan"
Manager, Investment Funds
Ontario Securities Commission

2.1.4 Moss Lake Gold Mines Ltd.

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).

April 15, 2014

Moss Lake Gold Mines Ltd.
c/o Baker & McKenzie LLP
Brookfield Place, Bay/Wellington Tower
181 Bay Street, Suite 2100
Toronto, ON M5J 2T3

Dear Sirs/Mesdames:

Re: Moss Lake Gold Mines Ltd. (the Applicant) – application for a decision under the securities legislation of Ontario and Alberta (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.

In this decision, "securityholder" means, for a security, the beneficial owner of the security.

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 securityholders in each of the jurisdictions of Canada and fewer than 51 securityholders in total worldwide;

(b) no securities of the Applicant, including debt securities, are traded in Canada or another country on a marketplace as defined in National Instrument 21-101 *Marketplace Operation* or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported;

(c) the Applicant is applying for a decision that it is not a reporting issuer in all of the jurisdictions of 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.

"Kathryn Daniels"
Deputy Director, Corporate Finance
Ontario Securities Commission

2.2 Orders

2.2.1 Issam El-Bouji et al. – ss. 127(1), 127(2), and 127.1

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

AND

IN THE MATTER OF
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION, GLOBAL GROWTH ASSETS INC.,
GLOBAL EDUCATION TRUST FOUNDATION AND MARGARET SINGH

ORDER
(Subsections 127(1) and 127(2) and section 127.1)

WHEREAS on January 10, 2013, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act") in relation to the Statement of Allegations filed by Staff of the Commission ("Staff") on January 10, 2013 with respect to Issam El-Bouji ("Bouji"), Global RESP Corporation ("Global RESP"), Global Growth Assets Inc. ("GGAI"), Global Educational Trust Foundation (the "Foundation") and Margaret Singh ("Singh") (collectively, the "Respondents");

AND WHEREAS the Respondents entered into a Settlement Agreement with Staff dated April 14, 2014 (the "Settlement Agreement") in which the Respondents and Staff agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated January 10, 2013, subject to approval by the Commission;

AND WHEREAS the Settlement Agreement acknowledges Global RESP and GGAI's co-operation with Staff and set out the costs incurred by Global RESP and GGAI in retaining an independent consultant (the "Consultant") to prepare and assist Global RESP and GGAI in implementing a plan to strengthen Global RESP's and GGAI's "compliance system" within the meaning of section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations;*

AND WHEREAS on September 24, 2012, the Consultant delivered a Consultant's plan (the "Consultant's Plan") which set out a plan to revise Global RESP's and GGAI's compliance policies and procedures and on January 12, 28 and 30 and February 22, 2013, the Consultant delivered amendments to the Consultant's Plan (the "Amendments");

AND WHEREAS the Commission issued a Notice of Hearing dated April 15, 2014, with respect to a hearing to consider the approval of the Settlement Agreement between Staff and the Respondents;

AND UPON reviewing the Notice of Hearing, the Statement of Allegations and the Settlement Agreement and upon considering submissions from the Respondents' counsel and from Staff of the Commission;

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

1. The Commission will make an order, pursuant to subsections 127(1), 127(2) and section 127.1 of the Act, that:

   a) The Settlement Agreement is approved;

   b) Pursuant to paragraph 1 of subsection 127(1) of the Act, Bouji is permanently suspended as the Ultimate Designated Person ("UDP") of Global RESP which suspension shall be effective the earlier of: (i) the date upon which Global RESP finds a new independent1 UDP/Chief Executive Officer ("CEO"); or (ii) nine months from the date of this order;

   c) Pursuant to paragraph 1 of subsection 127(1) of the Act, Bouji is permanently suspended as the UDP of GGAI which suspension shall be effective the earlier of: (i) the date upon which GGAI finds a new independent[1] UDP/CEO; or (ii) nine months from the date of this order;

[1] "Independent" will have the meaning as set out in sections 1.4 and 1.5 of National Instrument 52-110 *Audit Committees* ("NI 52-110") except that the point of reference shall be Bouji or any entities owned or controlled by Bouji.

d) Pursuant to paragraph 1 of subsection 127(1) of the Act, the following terms and conditions are imposed on GGAI's registration:

i. within 60 days of this order, GGAI shall create and permanently maintain an independent board of directors comprised of a minimum of two independent external board members that form a majority of the board of directors and the independent directors are to be approved by a Manager in the Compliance and Registrant Regulation Branch of the Ontario Securities Commission (the "OSC Manager");

ii. within nine months of the date of this order, GGAI will appoint a new independent CEO and UDP to replace Bouji; and

iii. effective immediately and until a new independent UDP is registered with the Commission, the chief compliance officer ("CCO") of GGAI shall provide to GGAI's board of directors a copy of a monthly written report prepared for the UDP and, in respect of the CCO's obligations under section 5.2(c) of NI 31-103, the CCO shall report to both the GGAI board and the UDP;

e) Pursuant to paragraph 1 of subsection 127(1) of the Act, the following terms and conditions are imposed on Global RESP's registration:

i. within 60 days of this order, Global RESP shall create and permanently maintain an independent board of directors comprised of a minimum of two independent external board members that form a majority of the board of directors and the independent directors are to be approved by the OSC Manager;

ii. within nine months of the date of this order, Global RESP will appoint a new independent CEO and UDP to replace Bouji; and

iii. effective immediately and until a new independent UDP is registered with the Commission, the CCO of Global RESP shall provide to Global RESP's board of directors a copy of a monthly written report prepared for the UDP and in respect of the CCO's obligations under section 5.2(c) of NI 31-103, the CCO shall report to both the Global RESP board and the UDP;

f) Pursuant to subsection 127(2) of the Act, the Foundation shall create and permanently maintain an independent board of directors for the Foundation or any other organization that controls or oversees the Plan comprised of a minimum of two independent external board members that form a majority of the board of directors and the independent directors are to be approved by the OSC Manager;

g) Pursuant to paragraph 1 of subsection 127(1) of the Act, as a term and condition of Singh's registration, Singh shall successfully complete, and provide proof thereof, of the Osgoode Certificate in Regulatory Compliance and Legal Risk Management for Financial Institutions offered by Osgoode Professional Development by June 2015;

h) Pursuant to paragraph 6 of subsection 127(1) of the Act, the Respondents are reprimanded;

i) Pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Bouji will resign as a director of the Foundation, and as a director of any registrant or investment fund manager within the earlier of: (i) 60 days from the date of this order; or (ii) the appointment of an independent board of directors to the entity;

j) Pursuant to paragraphs 7, 8.1 and 8.3 of subsection 127(1) of the Act, Bouji will resign as an officer of the Foundation and as an officer of any registrant or investment fund manager, upon the earlier of: (i) nine months from the date of this order; or (ii) the appointment of a new independent CEO for the entity;

k) Pursuant to paragraphs 8, 8.2, 8.4 and 8.5 of subsection 127(1) of the Act, Bouji is prohibited from becoming or acting as a director or officer of any reporting issuer, registrant, investment fund manager or from acting as a director or officer of the Foundation for nine years, except as permitted in subparagraphs i and j above;

l) Pursuant to paragraph 8.5 of subsection 127(1) of the Act, upon the earlier of: (i) nine months from the date of this order; or (ii) the appointment of a new UDP for GGAI and Global RESP, Bouji is permanently prohibited from becoming or acting as a UDP or CCO of any registrant or investment fund manager;

m) Pursuant to paragraph 10 of subsection 127(1) of the Act, Bouji shall disgorge to the Commission $1,950,575.34 obtained as a result of non-compliance with Ontario securities law, which is designated for allocation to or for the benefit of third parties (including, where practicable, for the benefit of subscribers or beneficiaries of the Plan) or for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, in accordance with subsection 3.4(2)(b) of the Act, in equal quarterly instalments over a five year period with the first payment to commence on the 90th day after the date of this order;

n) Pursuant to paragraph 9 of subsection 127(1) of the Act, Bouji, GGAI and Global RESP shall pay, on a joint and several basis, an administrative penalty in the amount of $150,000 to be paid by way of a certified cheque to be delivered to Staff before the commencement of the Settlement Hearing, for allocation in accordance with subsection 3.4(2)(b) of the Act;

o) Pursuant to section 127.1 of the Act, Bouji, GGAI and Global RESP shall pay, on a joint and several basis, costs of the Commission's investigation in the amount of $75,000 to be paid by way of a certified cheque to be delivered to Staff before the commencement of the Settlement Hearing;

p) Pursuant to paragraph 1 of subsection 127(1) and subsection 127(2) of the Act, GGAI and the Foundation shall record in their books and records the Foundation's mandatory obligation to repay enrolment fees in respect of plans purchased by unit holders pursuant to the 2002 to 2004 Prospectuses; and

q) Pursuant to paragraph 4 of subsection 127(1) of the Act, Global RESP and GGAI will provide the OSC Manager with a report by the Consultant, based on a work plan to be agreed upon jointly by Global RESP, GGAI, the Consultant and the OSC Manager, by no later than 14 months after the date that the terms and conditions imposed on Global RESP and GGAI's registration (the "Terms and Conditions") by temporary order of the Commission dated July 26, 2012 (the "Temporary Order") are fully vacated by Commission order. The Consultant will assess whether the revised policies and procedures and internal controls set out in the Consultant's Plan and the Amendments are: (i) being followed by Global RESP and GGAI; (ii) working appropriately; and (iii) being adequately administered and enforced by Global RESP and GGAI. The Consultant will prepare a report which includes a description of the Consultant's testing to support its conclusions for the 12 month period ending 14 months after the Terms and Conditions imposed by the Temporary Order are vacated.

DATED at Toronto, Ontario this 16th day of April, 2014.

"Mary G. Condon"

2.2.2 Morgan Dragon Development Corp. et al.

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

AND

IN THE MATTER OF
MORGAN DRAGON DEVELOPMENT CORP.,
JOHN CHEONG (aka KIM MENG CHEONG),
HERMAN TSE, DEVON RICKETTS
and MARK GRIFFITHS

ORDER

WHEREAS on March 22, 2012, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act") in connection with a Statement of Allegations filed by Staff of the Commission ("Staff") on March 22, 2012, to consider whether it is in the public interest to make certain orders against Morgan Dragon Development Corp. ("MDDC"), John Cheong (aka Kim Meng Cheong) ("Cheong"), Herman Tse ("Tse"), Devon Ricketts ("Ricketts") and Mark Griffiths ("Griffiths");

AND WHEREAS on March 26, 2012, the Commission issued an Amended Notice of Hearing pursuant to sections 127 and 127.1 of the Act;

AND WHEREAS on March 25, 2013, at Staff's request and on consent of counsel for MDDC, Cheong, Tse and Ricketts, the Commission ordered that the hearing on the merits proceed as a written hearing pursuant to Rule 11.5 of the Commission's *Rules of Procedure (*2012), 35 O.S.C.B. 10071 (the "*Rules of Procedure*") and set a schedule for written submissions by the parties (*Re Morgan Dragon Development Corp. et al.* (2013), 36 O.S.C.B. 3166);

AND WHEREAS on April 9, 2013, the Commission granted leave for Crawley Meredith Brush Mackewn LLP to withdraw as representative for Ricketts, pursuant to Rule 1.7.4 of the *Rules of Procedure* (*Re Morgan Dragon Development Corp. et al.* (2013), 36 O.S.C.B. 4211);

AND WHEREAS on April 10, 2013, Commission approved a settlement agreement between Staff and MDDC, Cheong and Tse (*Re Morgan Dragon Development Corp. et al.* (2013), 36 O.S.C.B. 4212);

AND WHEREAS following a written hearing on the merits, the Commission issued its Reasons and Decision with respect to the merits on April 15, 2014;

IT IS ORDERED that:

1. Staff shall serve and file written submissions on sanctions and costs by 4:00 p.m. on May 6, 2014;
2. The Respondents shall serve and file responding written submissions on sanctions and costs by 4:00 p.m. on May 27, 2014;
3. Staff shall serve and file reply written submissions on sanctions and costs, if any, by 4:00 p.m. on June 6, 2014;
4. the hearing to determine sanctions and costs will be held at the offices of the Commission at 20 Queen Street West, 17th floor, Toronto, ON, on June 12, 2014, at 10:00 a.m., or such further or other dates as agreed by the parties and set by the Office of the Secretary; and
5. upon failure of any party to attend at the time and place aforesaid, the hearing may proceed in the absence of that party, and such party is not entitled to any further notice of the proceeding.

Dated at Toronto this 15th day of April, 2014.

"Edward P. Kerwin"

2.2.3 Wolf Resource Development Corp. – s. 1(11)(b)

Headnote

Subsection 1(11)(b) – Order that the issuer is a reporting issuer for the purposes of Ontario securities law – Issuer already a reporting issuer in Alberta and British Columbia – Issuer's securities listed for trading on the TSX Venture Exchange – Continuous disclosure requirements in Alberta and British Columbia substantially the same as those in Ontario – Issuer has a significant connection to Ontario.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(11)(b).

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

AND

IN THE MATTER OF
WOLF RESOURCE DEVELOPMENT CORP.

ORDER
(Paragraph 1(11)(b))

UPON the application of Wolf Resource Development Corp. (the "**Issuer**") to the Ontario Securities Commission (the "**Commission**") for a designation order that the Issuer is a reporting issuer for the purposes of Ontario securities law;

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

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

1. The Issuer was incorporated in British Columbia on September 26. 2006 as "Galena Capital Corp." On September 26, 2012 the Issuer changed its name to "Ferro Iron Ore Corp." On July 14, 2013 the Issuer was continued into Ontario under the *Business Corporations Act* (Ontario). On July 19, 2013 the Issuer changed its name to Wolf Resource Development Corp. and consolidated its issued and outstanding common shares on a 4:1 basis.

2. The Issuer's head office is located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5.

3. The Issuer's common shares (the "**Common Shares**") have been listed and posted for trading on the TSX Venture Exchange ("**TSXV**") since May 24, 2007. The current trading symbol is "WRD".

4. The Issuer has confirmed that after becoming a reporting issuer in Ontario, it will designate Ontario as the principal regulator.

5. The Issuer became a reporting issuer under the *Securities Act* (British Columbia) (the "**B.C. Act**") and the *Securities Act* (Alberta) (the "**Alberta Act**") respectively on February 13, 2007.

6. The Issuer is not currently a reporting Issuer or the equivalent in any jurisdiction in Canada other than British Columbia and Alberta.

7. The Issuer is not on the lists of defaulting reporting issuers maintained by the Alberta Securities Commission and the British Columbia Securities Commission. The Issuer has not been the subject of any enforcement actions by the Alberta or British Columbia securities commissions or by the TSXV, and the Issuer is not in default of any requirement of the Act, the Alberta Act or the B.C. Act.

8. The continuous disclosure requirements of the Alberta Act and the B.C. Act are substantially the same as the continuous disclosure requirements under the Act.

9. The materials filed by the Issuer as a reporting issuer in the Provinces of Alberta and British Columbia are available on the System for Electronic Document Analysis and Retrieval (SEDAR).

10. The authorized share capital of the Issuer consists of an unlimited number of Common Shares, of which a total of 15,619,168 Common Shares are issued and outstanding as of April 7, 2014.

11. Pursuant to the policies of the TSXV, a listed issuer, which is not otherwise a reporting issuer in Ontario, must assess whether it has a "Significant Connection to Ontario" (as defined in Policy 1.1 of the TSXV Corporate Finance Manual) and, upon becoming aware that it has a "Significant Connection to Ontario", promptly make a bona fide application to the Commission to be designated a reporting issuer in Ontario.

12. The Issuer has determined that it has a "Significant Connection to Ontario" in that a significant number of securities are held by Ontario residents. The Issuer's mind and management is principally located in Ontario as its head office, and the majority of the Issuer's officers and two of its three directors are located in Ontario.

13. Neither the Issuer nor any of its officers, directors or, to the knowledge of the Issuer or its officers and directors, any controlling shareholder, has (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities

legislation or by a Canadian securities regulatory authority, (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

14. Neither the Issuer, nor any of its officers, directors nor, to the knowledge of the Issuer and its officers and directors, any of its controlling shareholders, is or has been subject to: (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

15. None of the officers or directors of the Issuer nor, to the knowledge of the Issuer and its officers and directors, any of its controlling shareholders, is or has been at the time of such event an officer or director of any other issuer which is or has been subject to: (i) any cease trade or similar order, or order that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

16. The Issuer will remit all participation fees due and payable by it pursuant to Commission Rule 13-502 *Fees* no later than two business days from the date hereof.

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

IT IS HEREBY ORDERED pursuant to paragraph 1(11)(b) of the Act that the Issuer be deemed to be a reporting issuer for the purposes of Ontario securities law.

DATED at Toronto on this 16th day of April, 2014.

"Sonny Randhawa"
Manager, Corporate Finance Branch
Ontario Securities Commission

2.2.4 Issam El-Bouji et al. – s. 127

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

AND

IN THE MATTER OF
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION,
GLOBAL GROWTH ASSETS INC.,
GLOBAL EDUCATIONAL TRUST FOUNDATION
AND MARGARET SINGH

ORDER
(Section 127)

WHEREAS on January 10, 2013, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing (the "Notice of Hearing") pursuant to section 127 of the *Securities Act,* R.S.O. 1990, c S.5, as amended (the "Act"), accompanied by a Statement of Allegations dated January 10, 2013 (the "Statement of Allegations") filed by Staff of the Commission ("Staff") against Issam El-Bouji, Global RESP Corporation, Global Growth Assets Inc., Global Educational Trust Foundation and Margaret Singh (collectively the "Respondents");

AND WHEREAS on January 28, 2013, the Commission ordered that the hearing be adjourned to February 27, 2013 at 11:00 a.m.;

AND WHEREAS on February 27, 2013, the Commission ordered that the matter be adjourned to a confidential pre-hearing conference to be held on June 19, 2013 at 10:00 a.m. and that June 5, 2013 at 10:00 a.m. be reserved for a potential disclosure motion to be brought by the Respondents;

AND WHEREAS on May 22, 2013, the Commission ordered that the matter be adjourned to a confidential pre-hearing conference to be held on July 5, 2013 and that June 19, 2013 be reserved for a potential disclosure motion to be brought by the Respondents;

AND WHEREAS the Respondents withdrew their disclosure motion and on June 6, 2013, the Commission ordered that the date for the potential disclosure motion to be brought by the Respondents be vacated;

AND WHEREAS on July 5, 2013, the parties attended a confidential pre-hearing conference in this matter;

AND WHEREAS on July 5, 2013, the Commission adjourned the matter to a further confidential pre-hearing conference to be held on March 3, 2014 and ordered that the hearing on the merits in this matter take place on March 31, 2014 at 10:00 a.m. and continue on April 1, 2, 3, 4, 7, 9, 10, 11, 14, 15, 16, 17, 21, 23, 24, 25, 28, 29 and 30, 2014 each day commencing at 10:00 a.m.;

AND WHEREAS on March 3, 2014, upon being advised at a confidential pre-hearing conference in this matter that the parties requested additional time to discuss settlement of certain of the allegations contained in the Statement of Allegations, the Commission ordered that the hearing dates scheduled for March 31, April 1, 2, 3, 4 and 7, 2014 be vacated and that the hearing in this matter commence on April 9, 2014 at 10:00 a.m. and continue on April 10, 11, 14, 15, 16, 17, 21, 23, 24, 25, 28, 29 and 30, 2014 each day commencing at 10:00 a.m.;

AND WHEREAS on April 7, 2014, upon being advised that the parties requested additional time to continue settlement discussions in this matter, the Commission ordered that the hearing dates of April 9, 10 and 11, 2014 be vacated and that the hearing in this matter commence on April 14, 2014 at 10:00 a.m. and continue on April 15, 16, 17, 21, 23, 24, 25, 28, 29 and 30, 2014 each day commencing at 10:00 a.m.;

AND WHEREAS on April 11, 2014, upon being advised that the parties requested additional time to continue settlement discussions in this matter, the Commission ordered that the hearing dates of April 14, 15, 16 and 17, 2014 be vacated and that the hearing in this matter commence on April 21, 2014 at 10:00 a.m. and continue on April 23, 24, 25, 28, 29 and 30, 2014 each day commencing at 10:00 a.m.;

AND WHEREAS on April 15, 2014, the Commission issued a Notice of Hearing indicating that a hearing would be held on April 16, 2014 for the Commission to consider whether it is in the public interest to approve a Settlement Agreement between Staff and the Respondents;

AND WHEREAS on April 16, 2014, the Commission approved the aforementioned Settlement Agreement between Staff and the Respondents;

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

IT IS ORDERED that the hearing dates scheduled for April 21, 23, 24, 25, 28, 29 and 30, 2014 shall be vacated.

DATED at Toronto this 17th day of April, 2014.

"James E. A. Turner"

2.2.5 Matthew Schloen – ss. 127(1), 127(2) and 127.1

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

AND

IN THE MATTER OF
MATTHEW SCHLOEN

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
AND MATTHEW SCHLOEN

ORDER
(Subsections 127(1) and 127(2) and Section 127.1)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing dated April 3, 2014 (the "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 filed on April 3, 2014 by Staff of the Commission ("Staff") to consider whether it is in the public interest to make certain orders against Matthew Schloen ("Schloen");

AND WHEREAS Schloen entered into a Settlement Agreement with Staff (the "Settlement Agreement") on March 30, 2014, in which Schloen and Staff agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND WHEREAS the Commission has reviewed the Notice of Hearing, the Statement of Allegations and the Settlement Agreement, and upon hearing submissions from Schloen and from Staff;

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

IT IS HEREBY ORDERED THAT:

(a) The Settlement Agreement is approved;

(b) Pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Schloen shall cease for three years from the date of the Order;

(c) Pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Schloen shall be prohibited for three years from the date of the Order;

(d) Pursuant to clause 3 of subsection 127(1) of the Act, any exemptions con-

tained in Ontario securities law do not apply to Schloen for three years from the date of the Order;

(e) Pursuant to paragraph 6 of subsection 127(1) of the Act, Schloen is reprimanded;

(f) Pursuant to clause 9 of subsection 127(1) of the Act, Schloen shall pay an administrative penalty of $5,000 to the Commission which shall be designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;

(g) Pursuant to clause 10 of subsection 127(1) of the Act, Schloen shall disgorge to the Commission the sum of $23,000, representing the profit made on the sale of the Bridgewater shares, which shall be designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;

(h) Pursuant to section 127.1 of the Act, Schloen shall pay the costs of the Commission's investigation in the amount of $5,000;

(i) With regard to the monetary orders in subparagraphs (f), (g) and (h) (the "Monetary Orders") Schloen shall make a payment of $2,500 by certified cheque when the Commission approves the Settlement Agreement. Schloen further shall pay at least $6,100 annually following the date of the Order until the Monetary Orders are paid in full, and in the event that Schloen fails to make any of the payments in compliance with the payment schedule set out above, the remaining unpaid balance shall become due and payable immediately;

(j) After the Monetary Orders are paid in full, as an exception to the provisions of paragraphs (b), (c) and (d), Schloen will be permitted to trade in or acquire securities in his personal registered retirement savings plan ("RRSP") accounts and/or tax-free savings accounts ("TFSA"), and/or for any registered education savings plan ("RESP") accounts for which he is the or a sponsor;

(k) Despite the restrictions set out above, Schloen shall be permitted to continue to participate in his employer's Employee Stock Purchase Plan, provided he sell any stock within two weeks of the purchase date, and to participate fully in the Employee Retirement Plan of his employer and;

(l) Until the entire amount of the Monetary Orders are paid in full, the provisions of paragraphs (b), (c), and (d) above shall continue in force without any limitation as to time.

DATED AT TORONTO this 17th day of April, 2014.

"Edward P. Kerwin"

2.2.6 Quadrexx Hedge Capital Management Ltd. – s. 127

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

AND

IN THE MATTER OF
QUADREXX HEDGE CAPITAL MANAGEMENT LTD.,
QUADREXX SECURED ASSETS INC.,
MIKLOS NAGY and TONY SANFELICE

ORDER
(Section 127)

WHEREAS on January 31, 2014, the Ontario Securities Commission (the "Commission") 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") accompanied by a Statement of Allegations dated January 30, 2014 with respect to Quadrexx Hedge Capital Management Ltd. ("QHCM"), Quadrexx Secured Assets Inc. ("QSA"), Miklos Nagy ("Nagy") and Tony Sanfelice ("Sanfelice") (collectively, the "Respondents");

AND WHEREAS on February 20, 2014, Staff of the Commission ("Staff") filed an affidavit of Sharon Nicolaides sworn February 19, 2014 setting out Staff's service of the Notice of Hearing dated January 31, 2014 and Staff's Statement of Allegations dated January 30, 2014 on counsel for the Respondents;

AND WHEREAS on February 20, 2014, Staff advised that Staff sent out the initial electronic disclosure of approximately 14,000 documents to counsel for the Respondents;

AND WHEREAS on February 20, 2014, the Commission ordered the hearing be adjourned to April 17, 2014 at 9:30 a.m. for the purpose of scheduling a date for a confidential pre-hearing conference as may be appropriate;

AND WHEREAS on April 17, 2014, Staff, counsel for QHCM, QSA and Nagy and counsel for Sanfelice attended before the Commission;

AND WHEREAS on April 17, 2014, Staff advised the Commission of a correction to be made regarding the initial electronic disclosure made on February 20, 2014, in that disclosure was made of approximately 14,000 pages of documents rather than of approximately 14,000 documents;

AND WHEREAS on April 17, 2014, Staff further advised the Commission that it had recently sent out electronic disclosure of a further 6,800 pages of documents and advised that disclosure by Staff is not yet complete;

AND WHEREAS the Respondents and Staff consent to the terms of this Order;

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

IT IS HEREBY ORDERED that the hearing is adjourned to a confidential pre-hearing conference to be held on September 5, 2014 at 10:00 a.m.

DATED at Toronto this 17th day of April, 2014.

"Christopher Portner"

2.2.7 iShares MSCI Europe IMI Index ETF and iShares MSCI Europe IMI Index ETF (CAD-Hedged) – 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
iSHARES MSCI EUROPE IMI INDEX ETF ("XEU")
iSHARES MSCI EUROPE IMI INDEX ETF (CAD-Hedged) ("XEH")
(the Funds)

DESIGNATION ORDER
(Section 1.1)

WHEREAS each of the Funds is or will be listed on the Toronto Stock Exchange;

AND WHEREAS under the Universal Market Integrity Rules (UMIR), each Fund is considered an Exempt Exchange-traded Fund that is 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 each of the Funds as an exchange-traded fund for the purposes of the Rule.

Dated April 14, 2014

"Susan Greenglass"
Director, Market Regulation

2.2.8 Quadrexx Asset Management Inc. et al. – ss. 127(1) and 127(8)

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

AND

**IN THE MATTER OF
QUADREXX ASSET MANAGEMENT INC.,
QUADREXX SECURED ASSETS INC.,
OFFSHORE OIL VESSEL SUPPLY SERVICES LP,
QUIBIK INCOME FUND AND
QUIBIK OPPORTUNITIES FUND**

**ORDER
(Subsections 127(1) and (8) of the Act)**

WHEREAS on February 6, 2013, the Ontario Securities Commission (the "Commission") issued a temporary order (the "Temporary Order") pursuant to subsections 127(1) and (5) of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "Act") with respect to Quadrexx Asset Management Inc. ("Quadrexx") and with respect to Quadrexx Secured Assets Inc. ("QSA"), Offshore Oil Vessel Supply Services LP ("OOVSS"), Quibik Income Fund ("QIF") and Quibik Opportunity Fund ("QOF"), (collectively, the "Quadrexx Related Securities") ordering that:

1. Pursuant to paragraph 2 of subsection 127(1) of the Act that all trading in the securities of Quadrexx and Quadrexx Related Securities shall cease;

2. Pursuant to paragraph 1 of subsection 127(1) of the Act that the following terms and conditions apply to the registration of Quadrexx as an exempt market dealer ("EMD"):

   (a) Quadrexx shall be entitled to trade only in securities that are not Quadrexx and Quadrexx Related Securities;

   (b) before trading with or on behalf of any client after the date hereof, Quadrexx and any dealing representative shall (i) advise such client that Quadrexx has a working capital deficiency as at December 31, 2012, and (ii) deliver a copy of this Order to such client; and

   (c) Quadrexx and any dealing representatives shall not accept any new clients or open any new client accounts of any kind;

3. Pursuant to paragraph 1 of subsection 127(1) of the Act that the following terms and conditions apply to the registration of Quadrexx as a portfolio manager ("PM") and as an investment fund manager ("IFM"):

   (a) Quadrexx's activities as a portfolio manager and investment fund manager shall be applied exclusively to the Managed Accounts and to the Quadrexx Funds, as both are defined in the Temporary Order; and

   (b) Quadrexx shall not accept any new clients or open any new client accounts of any kind; and

4. Pursuant to subsection 127(6) of the Act that the Temporary Order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by order of the Commission;

AND WHEREAS on February 19, 2013, counsel for the Respondents advised the Commission that the Respondents are not opposed to the suspension of the registration of Quadrexx as an EMD and requested fourteen days before the suspension of Quadrexx as a PM and as an IFM in order to deal with the transfer of the Managed Accounts for which Quadrexx is the PM to another registrant and to consider options for the Quadrexx Related Securities which are currently subject to the Temporary Order;

AND WHEREAS on February 19, 2013, the Commission ordered:

1. the registration of Quadrexx as an EMD be suspended immediately;

2. the portion of the Temporary Order attaching terms and conditions to the registration of Quadrexx as a PM and as an IFM be extended to March 7, 2013;

3. the portion of the Temporary Order ordering all trading to cease in the securities of Quadrexx and Quadrexx Related Securities be extended to March 7, 2013;

4. notice of the ongoing Commission proceeding, the two Commission orders, and the status of the clients' accounts be sent to all Quadrexx clients; and

5. the hearing be adjourned to March 6, 2013 at 10:00 a.m.;

AND WHEREAS on March 4, 2013, Quadrexx provided notice of these proceedings to its EMD and PM clients in a form of letter approved by Staff;

AND WHEREAS on March 7, 2013, the Commission ordered:

1. the portion of the Temporary Order attaching terms and conditions to the registration of Quadrexx as a PM and as an IFM be extended to March 29, 2013;

2. the portion of the Temporary Order ordering all trading in the securities of Quadrexx and Quadrexx Related Securities be extended to March 29, 2013;

3. the name of QOF in the Temporary Order be changed to "Quibik Opportunities Fund"; and

4. the hearing be adjourned to March 28, 2013 at 2:00 p.m.;

AND WHEREAS on March 28, 2013, Staff filed: (i) Quadrexx's proposal to appoint a Receiver for Quadrexx and QSA; (ii) Quadrexx's plans to wind up QSA and OOVSS; (iii) Quadrexx's plan to transfer the Managed Accounts, QIF and QOF to Matco Financial Inc. ("Matco"); and (iv) Quadrexx's plan to appoint Robson Capital Management Inc. as the new PM and IFM of Diversified Assets LP and Property Values Income Fund Common Shares LP;

AND WHEREAS on March 28, 2013, the Commission ordered:

1. the portion of the Temporary Order issued under paragraph 1 of subsection 127(1) attaching terms and conditions to the registration of Quadrexx as a PM and as an IFM be extended to May 16, 2013;

2. the portion of the Temporary Order issued under paragraph 2 of subsection 127(1) that ordered all trading to cease in the securities of Quadrexx and Quadrexx Related Securities be extended to May 16, 2013; and

3. the hearing to consider whether to vary any of the terms of the Temporary Order proceed on May 15, 2013 at 10:00 a.m.;

AND WHEREAS it appeared to the Commission that Quadrexx had a capital deficiency contrary to subsection 12.1(2) of NI 31-103 and may have engaged in conduct that is contrary to the Act;

AND WHEREAS on May 15, 2013, Staff filed the affidavit of Michael Ho sworn May 14, 2013 which sets out the steps taken by the Respondents to transfer the Managed Accounts to Matco and wind down Quadrexx, QSA, OOVSS, Canadian Hedge Watch Index Plus LP ("CHWIP") and HFI Limited Partnership ("HFI");

AND WHEREAS on May 15, 2013, the Commission ordered:

1. the registration of Quadrexx as a PM and as an IFM be suspended immediately;

2. the portion of the Temporary Order that ordered all trading to cease in the securities of Quadrexx and Quadrexx Related Securities be extended to August 15, 2013, other than as may be required to facilitate the dissolutions of Quadrexx and/or Quadrexx Related Securities; and

3. the hearing be adjourned to August 14, 2013 at 10:00 a.m.;

AND WHEREAS Staff has been advised that the Managed Accounts were transferred to Matco on May 16, 2013;

AND WHEREAS on June 18, 2013, Quadrexx filed an assignment under section 49 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.3, as amended, and Schonfeld Inc. was appointed as trustee;

AND WHEREAS on August 12, 2013, the Commission ordered:

1. the portion of the Temporary Order that ordered all trading to cease in the securities of Quadrexx and Quadrexx Related Securities be extended to September 23, 2013, other than as may be required to facilitate the dissolutions or wind ups of Quadrexx, QSA, OOVSS, QIF and QOF; and

2. the hearing be adjourned to September 19, 2013 at 10:00 a.m.;

AND WHEREAS on September 19, 2013, the Commission ordered:

1. the portion of the Temporary Order that ordered all trading to cease in the securities of Quadrexx and Quadrexx Related Securities is extended to February, 2014, other than as may be required to facilitate the dissolutions or wind-ups of Quadrexx, QSA, OOVSS, QIF and QOF; and

2. the hearing is adjourned to December 5, 2013 at 10:00 a.m.;

AND WHEREAS on December 4, 2013, the Commission ordered:

1. the portion of the Temporary Order issued under paragraph 2 of subsection 127(1) that ordered all trading to cease in the securities of Quadrexx and Quadrexx Related Securities be extended to February 24, 2014, other than as may be required to facilitate the dissolutions or wind ups of Quadrexx, QSA, OOVSS, QIF and QOF;

2. the hearing to consider: (i) the need to further extend the Temporary Order; and (ii) for the Commission to receive an update on the wind ups or dissolutions of Quadrexx, QSA, OOVSS, QIF, QOF, CHWIP and HFI, will proceed on February 20, 2014 at 10:00 a.m.; and

3. the hearing date of December 5, 2013 at 10:00 a.m. be vacated;

AND WHEREAS on January 31, 2014, Staff commenced a proceeding before the Commission against QSA and others (the "Proceeding");

AND WHEREAS on February 20, 2014, Staff filed an affidavit of Yvonne Lo sworn February 18, 2014 and advised that counsel for OOVSS and QSA consented to the terms of the draft Order;

AND WHEREAS on February 20, 2014, the Commission ordered:

1. the portion of the Temporary Order issued under paragraph 2 of subsection 127(1) that ordered all trading to cease in the securities of Quadrexx, QSA and OOVSS be extended to April 22, 2014; and

2. the hearing to consider the need to further extend the portion of the Temporary Order against Quadrexx, QSA and OOVSS be adjourned to April 17, 2014 at 9:45 a.m.;

AND WHEREAS Staff has filed an affidavit of Yvonne Lo sworn April 15, 2014 setting out that the bankruptcy of Quadrexx is ongoing and that OOVSS investors received back approximately 75.38 cents per dollar invested and that QSA investors received back approximately 50.06 cents per dollar invested;

AND WHEREAS QSA's counsel has advised that OOVSS is in the process of being wound up and that one QSA investor has not yet received the investor's portion of the partial return of investor monies;

AND WHEREAS Staff and counsel for OOVSS and QSA have advised that they consent to the terms of this Order;

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

IT IS HEREBY ORDERED that pursuant to subsection 127(8) of the Act, the portion of the Temporary Order issued under paragraph 2 of subsection 127(1) that ordered all trading to cease in the securities of QSA is extended until a final determination is made in respect of QSA in the Proceeding, other than as may be required to facilitate the partial return of monies to QSA investors.

DATED at Toronto this 17th day of April, 2014.

"Christopher Portner"

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Issam El-Bouji et al.

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

AND

IN THE MATTER OF
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION, GLOBAL GROWTH ASSETS INC.,
GLOBAL EDUCATIONAL TRUST FOUNDATION AND MARGARET SINGH

SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION AND
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION, GLOBAL GROWTH ASSETS INC.,
GLOBAL EDUCATIONAL TRUST FOUNDATION AND MARGARET SINGH

PART I – INTRODUCTION

1. By Notice of Hearing dated January 10, 2013, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), to consider whether it is in the public interest to make orders, as specified therein, against Issam El-Bouji ("Bouji"), Global RESP Corporation ("Global RESP"), Global Growth Assets Inc. ("GGAI"), Global Educational Trust Foundation (the "Foundation") and Margaret Singh ("Singh") (collectively, the "Respondents"). The Notice of Hearing was issued in connection with the allegations set out in the Statement of Allegations of Staff of the Commission ("Staff") dated January 10, 2013.

2. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to subsection 127(1) and section 127.1 of the Act, it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of the Respondents.

PART II – JOINT SETTLEMENT RECOMMENDATION

3. Staff agrees to recommend settlement of the proceeding initiated by the Notice of Hearing dated January 10, 2013, against the Respondents (the "Proceeding") in accordance with the terms and conditions set out below. The Respondents consent to the making of an order in the form attached as Schedule "A," based on the facts set out below.

PART III – AGREED FACTS

4. For this proceeding, and any other regulatory proceeding commenced by securities regulatory authorities in Canada, the Respondents agree with the facts as set out in Part III of this Settlement Agreement.

5. Unless specifically stated to the contrary, the facts set out in this agreement concern events taking place from February 2009 through September 2011 (the "Material Time").

I. OVERVIEW

6. Global RESP distributes units of the Global Educational Trust Plan (the "Plan"), a scholarship plan. GGAI is the current registered investment fund manager ("IFM") of the Plan. Prior to September 28, 2010, the Foundation was, among other things, the IFM of the Plan.

7. During the Material Time, Bouji was a director and Chief Executive Officer of Global RESP, GGAI and the Foundation and was the Ultimate Designated Person (the "UDP") of both Global RESP and GGAI (after August 2, 2011). Bouji is the sole shareholder of both GGAI and Global RESP.

8. During the Material Time, the Foundation and GGAI (after September 28, 2010) directed one of the Plan's portfolio advisers to process the purchase of over $30,000,000 in subordinated notes (the "PWB Notes") of Pacific and Western Bank of Canada ("PWB"), a chartered bank, using funds received from Plan subscribers.

9. Global Maxfin Capital Inc. ("GMCI"), a company owned by Bouji, received finders' fees/commissions totaling $1,950,575.34 in connection with the purchase of the PWB Notes and a PWB Guaranteed Investment Certificate (the "PWB GIC") (collectively the "PWB Transactions").

10. The Foundation and GGAI were not registered to advise in securities and did not receive advice from a registered portfolio manager in connection with the PWB Transactions.

11. The PWB Transactions resulted in conflicts of interest that were not referred to the Plan's independent review committee ("IRC") by the Foundation or GGAI (after September 28, 2010).

12. Conflicts of interest inherent in the PWB Transactions were not disclosed in the Plan's prospectuses dated August 28, 2009 (the "2009 Prospectus") and August 26, 2011 (the "2011 Prospectus"). Rather, these prospectuses stated that there were no conflicts of interest between the Plan and the IFM and between the Plan and "any director or executive officer of the manager of the Plan".

13. In addition, during the Material Time, GGAI did not recognize and record certain mandatory payments owing by the Foundation to the nominees of subscribers who purchased units of the Plan pursuant to prospectuses dated November 25, 2002, August 26, 2003 and August 23, 2004 (the "2002 to 2004 Prospectuses").

14. Staff of the Commission conducted a compliance review of Global RESP for the period June 1, 2010 to May 31, 2011 (the "Review Period") which identified significant compliance deficiencies. During the Review Period and thereafter, Singh was the Chief Compliance Officer ("CCO") and Bouji was the UDP of Global RESP.

II. BACKGROUND

A. The Respondents

15. The Foundation was incorporated on or about November 20, 1996 pursuant to Part II of the *Canada Corporations Act*, R.S.C. 1970, c.C-32, as amended. The Foundation has been the promoter of the Plan since the Plan's inception and the IFM of the Plan from its inception to September 28, 2010. Bouji has been a director and officer of the Foundation since the Plan's inception. The Foundation has never been registered with the Commission in any capacity.

16. GGAI was incorporated in Canada on or about August 15, 2008. On September 28, 2010, GGAI became the IFM and the administrator of the Plan and GGAI applied to be registered as an IFM. On August 2, 2011, GGAI became registered with the Commission as an IFM.

17. Global RESP, formerly known as Global Educational Marketing Corporation, was incorporated in Canada on or about June 11, 1997. Global RESP has been registered with the Commission as a dealer in the category of scholarship plan dealer since October 9, 1998.

18. Bouji is registered with the Commission in connection with a number of registered firms including as:

a) an officer, director, shareholder and the UDP for Global RESP since December 18, 2009;

b) an officer, director, shareholder and the UDP for GGAI since August 2, 2011; and

c) an officer, director and shareholder of GMCI since March 2, 2006 and as the UDP of GMCI since January 13, 2010. GMCI is a company incorporated in Canada on or about August 29, 1986. GMCI is registered with the Commission as a dealer in the category of investment dealer. GMCI is also a dealer member of the Investment Industry Regulatory Organization of Canada ("IIROC") in the category Securities, Options and Managed Accounts.

19. Singh is a director of the Foundation and has been registered with the Commission as the CCO of Global RESP since on or about June 8, 2005.

B. The PWB Transactions

20. The Foundation and GGAI (after September 28, 2010), directed one of the Plan's portfolio advisers to process the following PWB Transactions involving the Plan's assets:

a) the purchase on February 27, 2009 of a subordinated note from PWB with a par value of $10 million for which GMCI received finders' fees from PWB totalling $500,000;

b) the purchase on April 30, 2009 of a subordinated note from PWB with a par value of $10 million for which GMCI received finders' fees from PWB totalling $500,000;

c) the purchase on February 24, 2010 of a PWB subordinated note with a par value of $1.5 million from the Foundation;

d) the purchase on March 11, 2011 of a subordinated note from PWB with a par value of $10 million for which GMCI received finders' fees from PWB totalling $500,000; and

e) the purchase effective July 31, 2011 of a PWB GIC in the amount of $10 million for which GMCI ultimately received the benefit of fees paid by PWB totalling $450,575.34.

(i) Advising without registration

21. Each of the PWB Notes constituted a “security” pursuant to subparagraph (e) of the definition of “security” under section 1 of the Act.

22. Neither the Foundation nor GGAI was registered to advise in securities when they directed the Plan’s portfolio manager to process the purchase of the PWB Notes.

23. The PWB Notes were not purchased based on the advice of a registered portfolio manager. The Plan’s portfolio manager that processed the PWB Transactions acted as agent in executing the PWB Transactions.

(ii) Failure to refer conflicts of interest to the Plan’s IRC

24. None of the PWB Transactions were approved by the Foundation's board of directors. In the case of the PWB Transactions occurring after September 28, 2010, none of these transactions were approved by GGAI's board of directors.

25. Despite the conflicts of interests inherent in the PWB Transactions, none of the PWB Transactions were referred to the Plan's IRC.

26. In addition, two other transactions/decisions that gave rise to a conflict of interest were not referred to the Plan’s IRC:

a) a credit facility of $4.27 million that was advanced by PWB on December 30, 2010 to Global Maxfin Developments Inc. ("GMDI"), an entity owned by Bouji; and

b) the decision made in 2012 by GGAI to increase the administrative fee it charged to the Plan from 1% to 1.2%.

(iii) Failure to provide full, true and plain disclosure in the 2009 and 2011 Prospectuses

27. The 2009 and 2011 Prospectuses state that there are no conflicts of interest between the Plan and the IFM and between the Plan and “any director or executive officer of the manager of the Plan”.

28. Pursuant to subsection 58(2) of the Act and section 5.10 of National Instrument 41-101 *General Prospectus Requirements* ("NI 41-101”), Bouji, on behalf of the Foundation as the promoter and IFM of the Plan and on behalf of Global RESP as the distributor of the Plan, certified that the 2009 Prospectus contained full, true and plain disclosure of all material facts relating to the securities offered by the 2009 Prospectus.

29. However, the purchase of the PWB subordinated notes on February 27, 2009 and April 30, 2009 referred to in subparagraphs 20(a) and 20(b) above, individually and/or collectively, constituted material conflicts of interest that were required to be disclosed in the 2009 Prospectus pursuant to section 56 of the Act and section 19.3 of Form 2 of NI 41-101 ("Form 41-101F2").

30. Pursuant to subsection 58(2) of the Act and section 5.10 of NI 41-101, Bouji, on behalf of the Foundation as the promoter of the Plan and on behalf of GGAI as the IFM of the Plan, certified that the 2011 Prospectus contained full, true and plain disclosure of all material facts relating to the securities offered by the 2011 Prospectus. In addition, Bouji, on behalf of Global RESP as the distributor of the Plan, certified that, to the best of Global RESP's knowledge, information and belief, the 2011 Prospectus contained full, true and plain disclosure of all material facts relating to the securities offered by the 2011 Prospectus.

31. However, the purchase of the PWB subordinated note on March 11, 2011 and the purchase of the PWB GIC on July 31, 2011 referred to in subparagraphs 20(d) and 20(e) above, individually and/or collectively, constituted material conflicts of interest that were required to be disclosed in the Plan's 2011 Prospectus pursuant to section 56 of the Act and section 19.3 of Form 41-101F2.

C. Failure to recognize and record the repayment of mandatory Enrolment Fees

32. Since inception, the Plan has been charging enrolment fees to subscribers in the amount of $60 per unit of $504 ("Enrolment Fees").

33. The 2002 to 2004 Prospectuses create an obligation by the Foundation to repay Enrolment Fees to the nominees of subscribers who purchased units in the Plan pursuant to those prospectuses, if the subscribers otherwise meet the requirements set out in those prospectuses for the repayment of Enrolment Fees.

34. Pursuant to an Assignment and Assumption Agreement in respect of Trust Indenture and Administrative Agreement dated September 27, 2010, GGAI was appointed the IFM of the Plan and the Foundation transferred to GGAI all of its rights, title, interest, duties and obligations that existed under a Trust Indenture and an Administrative Agreement both dated October 14, 1998 (the "Administrative Agreement") and subsequently modified by two agreements dated May 18, 2004, namely (i) the Resignation, Appointment and Assignment Agreement, and (ii) the Amending Agreement.

35. Pursuant to the Administrative Agreement, GGAI is required to "ensure all payments required to be made under the Plan have been calculated and paid to Nominees or withdrawn by the Subscribers thereto in accordance with the provisions of the Plan".

36. GGAI has failed to recognize the mandatory obligation to repay Enrolment Fees created by the 2002 to 2004 Prospectuses. By failing to recognize this mandatory obligation and by failing to record Enrolment Fees in a manner that recognizes the mandatory obligation to repay Enrolment Fees for plans entered into pursuant to the 2002 to 2004 Prospectuses, GGAI has failed to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances. GGAI now acknowledges the mandatory obligation to repay Enrolment Fees created by the 2002 to 2004 Prospectuses.

D. Significant compliance deficiencies by Global RESP

37. Staff of the Commission conducted a compliance review of Global RESP for the Review Period and prepared a report dated March 7, 2012 (the "Compliance Report"). The Compliance Report set out a number of significant deficiencies occurring during the Review Period which demonstrate that Global RESP's compliance system did not meet reasonable compliance practices and that changes were required to strengthen its compliance systems.

38. The schedule of agreed facts relating to compliance deficiencies and the Temporary Order in respect of Global RESP and GGAI is attached as Schedule "B".

E. Failure to meet the obligations of a UDP

39. Bouji was the UDP of Global RESP during the Review Period. Given the significant deficiencies noted in the Compliance Report, Bouji failed in his obligations as UDP of Global RESP to:

a) supervise the activities of Global RESP that are directed towards ensuring compliance with securities legislation by Global RESP and each individual acting on Global RESP's behalf; and

b) promote compliance by Global RESP and individuals acting on Global RESP's behalf with securities legislation.

40. Bouji has been the UDP of GGAI since August 2, 2011. As a result of the conduct by GGAI referred to above, Bouji failed in his obligations as the UDP of GGAI to:

a) supervise the activities of GGAI that are directed towards ensuring compliance with securities legislation by GGAI and each individual acting on GGAI's behalf; and

b) promote compliance by GGAI and individuals acting on GGAI's behalf with securities legislation.

F. Failure to meet obligations of a CCO

41. Singh was the CCO of Global RESP during the Review Period. As a result of the significant deficiencies noted in the Compliance Report, Singh failed in her obligations as the CCO of Global RESP to:

a) establish and maintain policies and procedures for assessing compliance by Global RESP and individuals acting on Global RESP's behalf; and

b) monitor and assess compliance by Global RESP and individuals acting on Global RESP's behalf with securities legislation.

PART IV – CONDUCT CONTRARY TO THE ACT AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

42. By virtue of the securities-related conduct described above, the Respondents admit that:

a) the Foundation advised in securities in breach of subsection 25(1)(c) of the Act (as that subsection existed prior to September 28, 2009) and, after September 28, 2009, the Foundation and GGAI (in respect of transactions occurring after September 28, 2010) advised in securities in breach of subsection 25(3) of the Act and contrary to the public interest;

b) the Foundation and GGAI breached their obligations under sections 5.1 and 5.3 of National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107") and acted contrary to the public interest by failing to refer the conflicts of interests referred to above to the Plan's IRC, and by failing to follow the procedure set out in section 5.3 of NI 81-107 prior to proceeding with the transactions referred to above that should have been referred to the Plan's IRC;

c) Bouji, the Foundation and Global RESP breached section 56 of the Act and acted contrary to the public interest by failing to provide full, true and plain disclosure of all material facts in the 2009 Prospectus;

d) Bouji, the Foundation, GGAI and Global RESP breached section 56 of the Act and acted contrary to the public interest by failing to provide full, true and plain disclosure of all material facts in the 2011 Prospectus;

e) GGAI breached subsection 116(b) of the Act and acted contrary to the public interest by failing to recognize the mandatory obligation to repay Enrolment Fees created by the 2002 to 2004 Prospectuses and by not recording the Enrolment Fees payable for plans entered into pursuant to the 2002 to 2004 Prospectuses in a manner that recognizes this mandatory obligation;

f) By engaging in the conduct described in Schedule "B", Global RESP and GGAI admit and acknowledge that their compliance systems did not meet reasonable compliance practices and that changes were required to strengthen their compliance systems so as to better serve the public interest;

g) Singh breached her obligations as the CCO of Global RESP contrary to section 5.2 of NI 31-103 and contrary to the public interest;

h) Bouji breached his obligations as the UDP of Global RESP contrary to section 5.1 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") and contrary to the public interest;

i) Bouji breached his obligations as the UDP of GGAI contrary to section 5.1 of NI 31-103 and contrary to the public interest; and

j) Bouji, as an officer and director of the Foundation, GGAI and Global RESP did authorize, permit and/or acquiesce in the breaches of Ontario securities law by the Foundation, Global RESP and GGAI referred to above pursuant to section 129.2 of the Act.

43. The Respondents admit and acknowledge that they acted contrary to the public interest by contravening Ontario securities law as set out in paragraph 42, above.

PART V – RESPONDENTS' POSITION

44. To date, the Plan subscribers and beneficiaries have not suffered any harm as a result of the purchase of the PWB Notes and the PWB GIC.

45. Bouji believed that GGAI and the Foundation were acting for the benefit of Plan subscribers and beneficiaries in directing the purchase of the PWB Notes and the PWB GIC.

46. The Respondents state that the 5% finders' fees paid in respect of the PWB Notes were commercially reasonable.

47. The Respondents cooperated with Staff throughout the compliance review, investigation and resolution of this proceeding.

48. Global RESP and GGAI have incurred significant advisory fees to improve their compliance systems. As of February 28, 2014, Global RESP and GGAI had incurred $1,354,580 in Consultant and Monitor costs as a result of the implementation of the Terms and Conditions as defined in Schedule "B".

PART VI – TERMS OF SETTLEMENT

49. The Respondents agree to the terms of settlement as listed below.

50. The Commission will make an order, pursuant to subsections 127(1), 127(2) and section 127.1 of the Act, that:

a) The Settlement Agreement is approved;

b) Bouji is permanently suspended as the UDP of Global RESP which suspension shall be effective the earlier of: (i) the date upon which Global RESP finds a new independent[1] UDP/Chief Executive Officer ("CEO"); or (ii) nine months from the date of this order;

c) Bouji is permanently suspended as the UDP of GGAI which suspension shall be effective the earlier of: (i) the date upon which GGAI finds a new independent UDP/CEO; or (ii) nine months from the date of this order;

d) The following terms and conditions are imposed on GGAI's registration:

i. within 60 days of this order, GGAI shall create and permanently maintain an independent board of directors comprised of a minimum of two independent external board members that form a majority of the board of directors and the independent directors are to be approved by the OSC Manager as defined in Schedule "B" (the "OSC Manager");

ii. within nine months of the date of this order, GGAI will appoint a new independent CEO and UDP to replace Bouji; and

iii. effective immediately and until a new independent UDP is registered with the Commission,, the CCO of GGAI shall provide to GGAI's board of directors a copy of a monthly written report prepared for the UDP and, in respect of the CCO's obligations under section 5.2(c) of NI 31-103, the CCO shall report to both the GGAI board and the UDP;

e) The following terms and conditions are imposed on Global RESP's registration:

i. within 60 days of this order, Global RESP shall create and permanently maintain an independent board of directors comprised of a minimum of two independent external board members that form a majority of the board of directors and the independent directors are to be approved by the OSC Manager;

ii. within nine months of the date of this order, Global RESP will appoint a new independent CEO and UDP to replace Bouji; and

iii. effective immediately and until a new independent UDP is registered with the Commission, the CCO of Global RESP shall provide to Global RESP's board of directors a copy of a monthly written report prepared for the UDP and in respect of the CCO's obligations under section 5.2(c) of NI 31-103, the CCO shall report to both the Global RESP board and the UDP;

f) The Foundation shall create and permanently maintain an independent board of directors for the Foundation or any other organization that controls or oversees the Plan comprised of a minimum of two independent

[1] "Independent" will have the meaning as set out in sections 1.4 and 1.5 of National Instrument 52-110 *Audit Committees* ("NI 52-110") except the point of reference shall be Bouji or any entities owned or controlled by Bouji.

external board members that form a majority of the board of directors and the independent directors are to be approved by the OSC Manager;

g) As a term and condition of Singh's registration, Singh shall successfully complete, and provide proof thereof, of the Osgoode Certificate in Regulatory Compliance and Legal Risk Management for Financial Institutions offered by Osgoode Professional Development by June 2015;

h) The Respondents are reprimanded;

i) Bouji will resign as a director of the Foundation, and as a director of any registrant or investment fund manager within the earlier of: (i) 60 days from the date of this order; or (ii) the appointment of an independent board of directors to the entity;

j) Bouji will resign as an officer of the Foundation and as an officer of any registrant or investment fund manager, upon the earlier of: (i) nine months from the date of this order; or (ii) the appointment of a new independent CEO for the entity;

k) Bouji is prohibited from becoming or acting as a director or officer of any reporting issuer, registrant, investment fund manager or from acting as a director or officer of the Foundation for nine years, except as permitted in subparagraphs 50(i) and (j) above;

l) Upon the earlier of: (i) nine months from the date of this order; or (ii) the appointment of a new UDP for GGAI and Global RESP, Bouji is permanently prohibited from becoming or acting as a UDP or CCO of any registrant or investment fund manager;

m) Bouji shall disgorge to the Commission $1,950,575.34 obtained as a result of non-compliance with Ontario securities law, which is designated for allocation to or for the benefit of third parties (including, where practicable, for the benefit of subscribers or beneficiaries of the Plan) or for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, in accordance with subsection 3.4(2)(b) of the Act, in equal quarterly instalments over a five year period with the first payment to commence on the 90th day after the date of this order;

n) Bouji, GGAI and Global RESP shall pay, on a joint and several basis, an administrative penalty in the amount of $150,000 to be paid by way of a certified cheque to be delivered to Staff before the commencement of the Settlement Hearing, for allocation in accordance with subsection 3.4(2)(b) of the Act;

o) Bouji, GGAI and Global RESP shall pay, on a joint and several basis, costs of the Commission's investigation in the amount of $75,000 to be paid by way of a certified cheque to be delivered to Staff before the commencement of the Settlement Hearing;

p) GGAI and the Foundation shall record in their books and records the Foundation's mandatory obligation to repay enrolment fees in respect of plans purchased by unit holders pursuant to the 2002 to 2004 Prospectuses; and

q) Global RESP and GGAI will provide the OSC Manager with a report by the Consultant as defined in Schedule "B", based on a work plan to be agreed upon jointly by Global RESP, GGAI, the Consultant and the OSC Manager, by no later than 14 months after the date that the terms and conditions imposed on Global RESP and GGAI's registration (the "Terms and Conditions") by temporary order of the Commission dated July 26, 2012 (the "Temporary Order") are fully vacated by Commission order. The Consultant will assess whether the revised policies and procedures and internal controls set out in the Consultant's Plan and the Amendments as defined in Schedule "B" are: (i) being followed by Global RESP and GGAI (ii) working appropriately; and (iii) being adequately administered and enforced by Global RESP and GGAI. The Consultant will prepare a report which includes a description of the Consultant's testing to support its conclusions for the 12 month period ending 14 months after the Terms and Conditions imposed by the Temporary Order are vacated.

51. The Respondents undertake to consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in paragraph 50, above. The prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities laws.

PART VII – STAFF COMMITMENT

52. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against the Respondents in relation to the facts set out in Part III herein, subject to the provisions of paragraphs 53 and 54 below.

53. If this Settlement Agreement is approved by the Commission, and at any subsequent time any of the Respondents fails to comply with any of the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against the Respondent(s) based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement. In addition, if this Settlement Agreement is approved by the Commission, and at any subsequent time, any of the Respondents fails to honour the terms of the Settlement Agreement, the Commission is entitled to bring any proceedings necessary to recover the amounts set out in subparagraphs 50 (m), (n) and (o) above.

54. The Commission remains entitled to bring any proceedings necessary to recover any amounts the Respondents are ordered to pay as a result of any order imposed pursuant to this agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

55. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and the Respondents for the scheduling of the hearing to consider the Settlement Agreement.

56. Staff and the Respondents agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the Settlement Hearing regarding the Respondents conduct in this matter, unless the parties agree that further facts should be submitted at the settlement hearing.

57. If this Settlement Agreement is approved by the Commission, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

58. If this Settlement Agreement is approved by the Commission, neither Staff nor the Respondents will make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

59. Whether or not this Settlement Agreement is approved by the Commission, the Respondents agree that they will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT

60. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and the Respondents leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and the Respondents; and

b) Staff and the Respondents shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

61. The terms of this Settlement Agreement will be treated as confidential by all parties hereto, but such obligations of confidentiality shall terminate upon commencement of the public hearing to obtain approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of the Respondents and Staff or as may be required by law.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

62. This Settlement Agreement may be signed in one or more counterparts, which together will constitute a binding agreement.

63. A facsimile copy of any signature will be as effective as an original signature.

Dated this 14th day of April, 2014.

Signed in the presence of

"Joanne Sewel"
Witness

"Issam El-Bouji"
Issam El-Bouji

"Joanne Sewel"
Witness

"Margaret Singh"
Margaret Singh

"Joanne Sewel"
Witness

Global RESP Corporation

"Issam El-Bouji"
Per: Issam El-Bouji

"Tom Atkinson"
Tom Atkinson
Director, Enforcement Branch

SCHEDULE "A"

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

AND

IN THE MATTER OF
ISSAM EL-BOUJI, GLOBAL RESP CORPORATION, GLOBAL GROWTH ASSETS INC.,
GLOBAL EDUCATION TRUST FOUNDATION AND MARGARET SINGH

ORDER
(Subsections 127(1) and 127(2) and section 127.1)

WHEREAS on January 10, 2013, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in relation to the Statement of Allegations filed by Staff of the Commission ("Staff") on January 10, 2013 with respect to Issam El-Bouji ("Bouji"), Global RESP Corporation ("Global RESP"), Global Growth Assets Inc. ("GGAI"), Global Educational Trust Foundation (the "Foundation") and Margaret Singh ("Singh") (collectively, the "Respondents");

AND WHEREAS the Respondents entered into a Settlement Agreement with Staff dated April 14, 2014 (the "Settlement Agreement") in which the Respondents and Staff agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing dated January 10, 2013, subject to approval by the Commission;

AND WHEREAS the Settlement Agreement acknowledges Global RESP and GGAI's co-operation with Staff and set out the costs incurred by Global RESP and GGAI in retaining an independent consultant (the "Consultant") to prepare and assist Global RESP and GGAI in implementing a plan to strengthen Global RESP's and GGAI's "compliance system" within the meaning of section 11.1 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

AND WHEREAS on September 24, 2012, the Consultant delivered a Consultant's plan (the "Consultant's Plan") which set out a plan to revise Global RESP's and GGAI's compliance policies and procedures and on January 12, 28 and 30 and February 22, 2013, the Consultant delivered amendments to the Consultant's Plan (the "Amendments");

AND WHEREAS the Commission issued a Notice of Hearing dated April 14, 2014, with respect to a hearing to consider the approval of the Settlement Agreement between Staff and the Respondents;

AND UPON reviewing the Notice of Hearing, the Statement of Allegations and the Settlement Agreement and upon considering submissions from the Respondents' counsel and from Staff of the Commission;

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

1. The Commission will make an order, pursuant to subsections 127(1), 127(2) and section 127.1 of the Act, that:

   a) The Settlement Agreement is approved;

   b) Pursuant to paragraph 1 of subsection 127(1) of the Act, Bouji is permanently suspended as the Ultimate Designated Person ("UDP") of Global RESP which suspension shall be effective the earlier of: (i) the date upon which Global RESP finds a new independent[1] UDP/Chief Executive Office ("CEO"); or (ii) nine months from the date of this order;

   c) Pursuant to paragraph 1 of subsection 127(1) of the Act, Bouji is permanently suspended as the UDP of GGAI which suspension shall be effective the earlier of: (i) the date upon which GGAI finds a new independent UDP/CEO; or (ii) nine months from the date of this order;

   d) Pursuant to paragraph 1 of subsection 127(1) of the Act, the following terms and conditions are imposed on GGAI's registration:

[1] "Independent" will have the meaning as set out in sections 1.4 and 1.5 of National Instrument 52-110 *Audit Committees* ("NI 52-110") except that the point of reference shall be Bouji or any entities owned or controlled by Bouji.

i. within 60 days of this order, GGAI shall create and permanently maintain an independent board of directors comprised of a minimum of two independent external board members that form a majority of the board of directors and the independent directors are to be approved by a Manager in the Compliance and Registrant Regulation Branch of the Ontario Securities Commission (the "OSC Manager");

ii. within nine months of the date of this order, GGAI will appoint a new independent CEO and UDP to replace Bouji; and

iii. effective immediately and until a new independent UDP is registered with the Commission, the chief compliance officer ("CCO") of GGAI shall provide to GGAI's board of directors a copy of a monthly written report prepared for the UDP and, in respect of the CCO's obligations under section 5.2(c) of NI 31-103, the CCO shall report to both the GGAI board and the UDP;

e) Pursuant to paragraph 1 of subsection 127(1) of the Act, the following terms and conditions are imposed on Global RESP's registration:

i. within 60 days of this order, Global RESP shall create and permanently maintain an independent board of directors comprised of a minimum of two independent external board members that form a majority of the board of directors and the independent directors are to be approved by the OSC Manager;

ii. within nine months of the date of this order, Global RESP will appoint a new independent CEO and UDP to replace Bouji; and

iii. effective immediately and until a new independent UDP is registered with the Commission, the CCO of Global RESP shall provide to Global RESP's board of directors a copy of a monthly written report prepared for the UDP and in respect of the CCO's obligations under section 5.2(c) of NI 31-103, the CCO shall report to both the Global RESP board and the UDP;

f) Pursuant to subsection 127(2) of the Act, the Foundation shall create and permanently maintain an independent board of directors for the Foundation or any other organization that controls or oversees the Plan comprised of a minimum of two independent external board members that form a majority of the board of directors and the independent directors are to be approved by the OSC Manager;

g) Pursuant to paragraph 1 of subsection 127(1) of the Act, as a term and condition of Singh's registration, Singh shall successfully complete, and provide proof thereof, of the Osgoode Certificate in Regulatory Compliance and Legal Risk Management for Financial Institutions offered by Osgoode Professional Development by June 2015;

h) Pursuant to paragraph 6 of subsection 127(1) of the Act, the Respondents are reprimanded;

i) Pursuant to paragraph 7 of subsection 127(1) of the Act, Bouji will resign as a director of the Foundation, and as a director of any registrant or investment fund manager within the earlier of: (i) 60 days from the date of this order; or (ii) the appointment of an independent board of directors to the entity;

j) Pursuant to paragraph 7 of subsection 127(1) of the Act, Bouji will resign as an officer of the Foundation and as an officer of any registrant or investment fund manager, upon the earlier of: (i) nine months from the date of this order; or (ii) the appointment of a new independent CEO for the entity;

k) Pursuant to paragraphs 8, 8.2, 8.4 and 8.5 of subsection 127(1) of the Act, Bouji is prohibited from becoming or acting as a director or officer of any reporting issuer, registrant, investment fund manager or from acting as a director or officer of the Foundation for nine years, except as permitted in subparagraphs i and j above;

l) Pursuant to paragraph 8.5 of subsection 127(1) of the Act, upon the earlier of: (i) nine months from the date of this order; or (ii) the appointment of a new UDP for GGAI and Global RESP, Bouji is permanently prohibited from becoming or acting as a UDP or CCO of any registrant or investment fund manager;

m) Pursuant to paragraph 10 of subsection 127(1) of the Act, Bouji shall disgorge to the Commission $1,950,575.34 obtained as a result of non-compliance with Ontario securities law, which is designated for allocation to or for the benefit of third parties (including, where practicable, for the benefit of subscribers or beneficiaries of the Plan) or for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and

financial markets, in accordance with subsection 3.4(2)(b) of the Act, in equal quarterly instalments over a five year period with the first payment to commence on the 90th day after the date of this order;

n) Pursuant to paragraph 9 of subsection 127(1) of the Act, Bouji, GGAI and Global RESP shall pay, on a joint and several basis, an administrative penalty in the amount of $150,000 to be paid by way of a certified cheque to be delivered to Staff before the commencement of the Settlement Hearing, for allocation in accordance with subsection 3.4(2)(b) of the Act;

o) Pursuant to section 127.1 of the Act, Bouji, GGAI and Global RESP shall pay, on a joint and several basis, costs of the Commission's investigation in the amount of $75,000 to be paid by way of a certified cheque to be delivered to Staff before the commencement of the Settlement Hearing;

p) Pursuant to paragraph 1 of subsection 127(1) and subsection 127(2) of the Act, GGAI and the Foundation shall record in their books and records the Foundation's mandatory obligation to repay enrolment fees in respect of plans purchased by unit holders pursuant to the 2002 to 2004 Prospectuses; and

q) Pursuant to paragraph 4 of subsection 127(1) of the Act, Global RESP and GGAI will provide the OSC Manager with a report by the Consultant, based on a work plan to be agreed upon jointly by Global RESP, GGAI, the Consultant and the OSC Manager, by no later than 14 months after the date that the terms and conditions imposed on Global RESP and GGAI's registration (the "Terms and Conditions") by temporary order of the Commission dated July 26, 2012 (the "Temporary Order") are fully vacated by Commission order. The Consultant will assess whether the revised policies and procedures and internal controls set out in the Consultant's Plan and the Amendments are: (i) being followed by Global RESP and GGAI; (ii) working appropriately; and (iii) being adequately administered and enforced by Global RESP and GGAI. The Consultant will prepare a report which includes a description of the Consultant's testing to support its conclusions for the 12 month period ending 14 months after the Terms and Conditions imposed by the Temporary Order are vacated.

DATED at Toronto, Ontario this _____ day of April, 2014.

_____

SCHEDULE "B"

**AGREED FACTS RELATING TO COMPLIANCE DEFICIENCIES AND \
THE TEMPORARY ORDER IN RESPECT OF \
GLOBAL RESP CORPORATION AND GLOBAL GROWTH ASSETS INC.**

A. Overview

1. Global RESP Corporation ("Global RESP") has been the subject of five compliance field review reports since 2003 by Staff of the Compliance and Registrant Regulation Branch ("CRR Staff"). Global RESP also had previous terms and conditions imposed on its registration by CRR Staff from April 30, 2003 to October 28, 2003 and from July 9, 2004 to February 21, 2006. The last compliance field review report dated March 7, 2012 (the "2012 Compliance Report") identified numerous compliance deficiencies. In some cases, CRR Staff found Global RESP to be deficient in similar areas to those previously identified as containing deficiencies.

2. On July 26, 2012, the Commission issued a temporary section 127 order (the "Temporary Order") with Global RESP's and Global Growth Assets Inc.'s ("GGAI's") consent which imposed terms and conditions ("Terms and Conditions") on Global RESP's and GGAI's registration. The Terms and Conditions required Global RESP to retain an independent consultant (the "Consultant") to: (a) prepare and assist Global RESP and GGAI to implement a plan to strengthen their compliance systems; and (b) retain an independent monitor (the "Monitor") to use best efforts to contact all new clients pending implementation of the Consultant's plan to, among other things, confirm the accuracy of the client's Know Your Client ("KYC") information, that the investment is suitable for the client and that the client understands the fee structure of the investment.

3. On September 24, 2012, the Consultant delivered a Consultant's plan (the "Consultant's Plan") which set out a plan to revise Global RESP's and GGAI's compliance policies and procedures including amending Global RESP's application form and KYC processes and to require additional organizational and policy improvements as referred to in paragraphs 22 and 23. On January 12, 28 and 30 and February 22, 2013, the Consultant delivered amendments to the Consultant's Plan (the "Amendments").

4. The Consultant has confirmed in its attestation letters dated February 25, 2014, March 26, 2014 and April 2, 2014 that Global RESP has implemented the policies and controls recommended by the Consultant that address each of the deficiencies identified in the 2012 Compliance Report and that strengthen Global RESP's compliance system.

5. Global RESP and GGAI have agreed to adhere to the revised internal controls, supervision and policies and procedures developed during the implementation of the Consultant's Plan and the Amendments.

6. The parties anticipate that the Terms and Conditions will be vacated upon the Commission being satisfied that the Consultant's Plan and the Amendments have been fully implemented, that the Consultant has tested the implementation of the recommendations in the Consultant's Plan and the Amendments and it is working effectively.

B. Previous Terms and Conditions Imposed on Global RESP's Registration and Prior Compliance Reviews

7. Prior to the 2011 Compliance Review, Global RESP had been the subject of a number of compliance reviews and had a number of terms and conditions imposed on its registration. Four prior compliance reports dated August 23, 2003, June 23, 2004, April 20, 2005 and May 25, 2009 were prepared based on on-site compliance reviews and sent to Global RESP.

8. From April 30, 2003 to October 28, 2003, a term and condition was imposed on Global RESP's registration which required Global RESP to file on a monthly basis: (i) the year-to-date unaudited financial statements prepared in accordance with GAAP; and (ii) the month-end calculations of excess free capital.

9. A compliance field review report dated August 26, 2003 by CRR Staff identified the following compliance deficiencies: (i) inadequate supervision of dealing representatives ("DRs"); (ii) incomplete or missing KYC information on 16/30 investment applications; (iii) unregistered branches and sub-branches; (iv) misleading information in marketing material; (v) inadequate training of DRs; and (vi) capital calculations not being prepared on a monthly basis.

10. A second compliance field review report dated June 23, 2004 by CRR Staff identified a number of compliance deficiencies including some of the same deficiencies identified in the compliance field review report dated August 26, 2003.

11. On July 9, 2004, terms and conditions were imposed on Global RESP's registration which required Global RESP to not sponsor new applications for registration, not use new business/trade names and to file progress reports with the

Manager, Compliance until any deficiencies identified in the August 23, 2003 and June 23, 2004 compliance reports have been resolved to the satisfaction of the Director.

12. A third compliance field review report dated April 20, 2005 by CRR Staff identified further compliance deficiencies.

13. On May 1, 2005, the terms and conditions relating to not sponsoring new applications for registration and not using new business/trade names were removed and the term and condition requiring monthly progress reports remained on Global RESP's registration until February 21, 2006.

14. A fourth compliance field review report dated May 25, 2009 by CRR Staff identified the following compliance deficiencies: (i) underfunding of enrolment fee liability; (ii) inaccurate list of officers and directors in 2012 Prospectus; and (iii) Issam El-Bouji ("Bouji") acting as director of Global RESP without being registered in that capacity.

C. The 2012 Compliance Report

15. In the spring of 2011, Staff selected Global RESP for a compliance review (the "2011 Compliance Review"). As part of the 2011 Compliance Review, Staff attended at Global RESP's head office in Richmond Hill, Ontario. The on-site portion of the 2011 Compliance Review was conducted from July 13, 2011 to the end of August, 2011 inclusive. In addition, Staff performed branch reviews at various locations in the Greater Toronto Area in August, 2011.

16. The 2011 Compliance Review involved Staff interviewing Global RESP's personnel and DRs, as well as examining Global RESP's books and records.

17. During the course of the 2011 Compliance Review, Staff identified a number of deficiencies which were set out in a letter from Staff to Bouji dated March 7, 2012 (the "2012 Compliance Report") which identified the following deficiencies, among others: (i) Global RESP lacked an adequate system of compliance controls and supervision; (ii) failure of Ultimate Designated Person ("UDP") and Chief Compliance Officer ("CCO") to meet their responsibilities; (iii) inadequate supervision of DRs; (iv) ineffective branch audits; (v) failure to monitor terms and conditions on dealing representatives; (vi) ineffective trade review process; (vii) Global RESP failed to meet its suitability and KYC obligations; (viii) insufficient product knowledge by DRs; (ix) use of misleading, inaccurate and high pressure sales training materials; (x) inadequate due diligence conducted on DRs; (xi) written policies and procedures manual which inadequately addressed trade confirmations, client statements and hiring practices.

18. On or about July 25, 2012, Staff received a letter from Bouji, Global RESP's UDP and Margaret Singh, Global RESP's CCO responding to the deficiencies in the 2012 Compliance Report.

D. Temporary Order dated July 26, 2012

19. On July 26, 2012, the Commission issued the Temporary Order with Global RESP and GGAI's consent which imposed Terms and Conditions on Global RESP's and GGAI's registrations. The Terms and Conditions required Global RESP and GGAI to retain a Consultant to: (a) prepare and assist Global RESP and GGAI to implement plans to strengthen its compliance system; and (b) retain a Monitor to use best efforts to contact all new clients pending implementation of the Consultant's plan to, among other things, confirm the accuracy of the client's KYC information, that the investment is suitable for the client and that the client understands the fee structure of the investment.

20. The OSC Manager, as referred to in the Terms and Conditions, approved Sutton Boyce Gilkes Regulatory Consulting Group Inc. ("Sutton Boyce") as the Monitor and approved Sutton Boyce as the Consultant.

E. Consultant's Plan dated September 24, 2012 and Amendments dated January 12, 28 and 30 and February 22, 2013

21. On September 24, 2012 the Consultant provided Staff with its initial Consultant's plan to strengthen Global RESP's and GGAI's compliance systems. After Staff's requests for further details on the specific actions that Global RESP would engage in to strengthen its compliance system and rectify the deficiencies identified in the 2012 Compliance Report, Global RESP delivered Amendments to the Consultant's Plan on January 12, 28 and 30, 2013. The final Consultant's Plan for Global RESP and GGAI was delivered on February 22, 2013.

22. The Consultant's Plan for Global RESP was a 44 page document which listed specific action steps to address the deficiencies set out in the 2012 Compliance Report. The Consultant's Plan set out objectives, steps, the responsible person(s), the deadline and status for each of the following areas of Global RESP's compliance system:

    (a) KYC and suitability information;

(b) Fee Disclosure;

(c) Branch supervision;

(d) Head office supervision;

(e) Training;

(f) Written Policies and Procedures;

(g) Documentation;

(h) Enhancement Fund;

(i) Business Continuity Plan; and

(j) Insurance.

23. The Consultant's Plan for GGAI was a two page document which listed specific action steps to address the deficiencies set out in the 2012 Compliance Report in relation to the limited review of GGAI. The Consultant's Plan set out objectives, steps, the responsible person(s), the deadline and status to improve GGAI's and the Global Educational Trust Foundation's ("Foundation's") governance for each of the following:

(a) Reconstitute IRC;

(b) Ensure proper registration and monitoring of investment decision-makers; and

(c) Ensure security positions are reconciled between Foundation and custodian records.

F. Implementation of the Consultant's Plan and the Amendments

24. The Terms and Conditions required the Consultant to provide monthly progress reports detailing Global RESP's and GGAI's progress with respect to the implementation of the Consultant's Plans for each recommendation. The Consultant delivered progress reports to Staff in relation to Global RESP on April 26, June 6, July 26, August 12, October 29, and December 9, 2013 which reported on the implementation of the Consultant's Plan from April 22, 2013 up to the reporting period ending November 22, 2013. The Consultant delivered progress reports to Staff in relation to GGAI on October 29 and December 9, 2013 which reported on the implementation of the Consultant's Plan from August 22 to November 22, 2013.

25. The Consultant's Plan and Amendments for Global RESP together with the subsequent progress reports required the following action steps to improve the collection of KYC and suitability determinations:

(a) adding a supplemental KYC form to include items such as exact household gross income where below $75,000, estimated income tax, household disposable income, investment objectives and time horizon;

(b) revising Global RESP's internal affordability guidelines so as to reflect "disposable income" as well as comparisons to authoritative guidance relating to affordability;

(c) conducting follow up calls by branch managers to ensure suitability of the trade for high risk clients;

(d) developing formal procedures and record-keeping systems for trade review and for the monitoring of suitability of client trades;

(e) training of personnel on use of, among other things, the enrolment application form and calculation of disposable income to improve suitability determinations;

(f) analyzing plan terminations and unsuitable plans over multiple time horizons to highlight high risk DRs for further internal compliance reviews; and

(g) establishing parameters to address the affordability and the suitability of investments including:

- third party contributors to household income;

- sales to subscribers with temporary social insurance numbers;
- spousal subscription requirement when spousal income is included in household income;
- limitations on the extension of plans beyond 18 years of age; and
- selling to subscribers beyond a certain age threshold.

26. The Consultant's Plans required the following additional organizational and policy improvements to ensure an improved compliance system for Global RESP and GGAI:

(a) developing and implementing disclosure for clients of DRs subject to restricted client terms and conditions to improve controls on conflicts of interest;

(b) amending DR and branch audit program to include product knowledge assessments, training and remediation taken;

(c) removing misleading, inaccurate and inappropriate material from DR training materials;

(d) developing an in-house test of all elements of product knowledge for DRs;

(e) reviewing and enhancing the reporting of compliance issues by the CCO to the UDP; and

(f) reconstituting the Independent Review Committee ("IRC") of the Global Educational Trust Plan and conducting training session on IRC duties and structure.

G. Role of Monitor

27. From July 26, 2012 to November 20, 2013, Global RESP had 6,861 new client applications. The Monitor contacted 1,412 new clients and Global RESP unwound 17 new client applications based on the KYC information being gathered under Global RESP's former KYC process. In these 17 cases, the Monitor determined based on the new client's KYC Information and Global RESP's suitability policies, that the investment was not suitable. There were also 241 new client applications that were cancelled based on the client not understanding the fee structure and, as of February 28, 2014, there were 103 new client applications that still required a Monitor review.

28. On November 20, 2013, Global RESP advised the Commission that Global RESP intended to roll out its new KYC and suitability policies on November 20, 2013 and the Commission ordered the Monitor requirement suspended from the Terms and Conditions effective November 20, 2013.

H. Global RESP's Position

29. Global RESP acknowledges that changes were required to strengthen its compliance systems so as to better serve the public interest.

30. Upon receipt of the 2012 Compliance Report, Global RESP immediately set out to address the compliance deficiencies highlighted in the report, particularly the KYC and Suitability deficiencies. Initial changes were implemented prior to the Consultant being retained or their plan being reviewed or approved by Staff.

31. Global RESP has worked with the Consultant and the Monitor to ensure that the Terms and Conditions imposed by the Commission on July 26, 2012 were fully implemented.

32. As at February 28, 2014, Global RESP and GGAI had incurred $1,354,580 in Consultant and Monitor costs as a result of the implementation of the Terms and Conditions.

33. Global RESP and GGAI have co-operated with Staff and consented to the Temporary Order which imposed the Terms and Conditions and consented to other Commission orders which extended the Temporary Order and varied the Terms and Conditions.

34. Global RESP and GGAI have agreed to adhere to the revised internal controls, supervision and policies and procedures in all provincial and territorial jurisdictions in Canada in which Global RESP and GGAI are registered and as referenced in the Consultant's Plans and the progress reports.

3.1.2 Morgan Dragon Development Corp. et al. – s. 127

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

AND

IN THE MATTER OF
MORGAN DRAGON DEVELOPMENT CORP.,
JOHN CHEONG (aka KIM MENG CHEONG), HERMAN TSE,
DEVON RICKETTS and MARK GRIFFITHS

REASONS AND DECISION
(Section 127 of the Securities Act)

Hearing: In Writing

Decision: April 15, 2014

Panel: Edward P. Kerwin – Commissioner and Chair of the Panel

Submissions: Jonathon T. Feasby – For Staff of the Ontario Securities Commission

TABLE OF CONTENTS

REASONS AND DECISION

I. BACKGROUND

A. Overview

[1] This was a written hearing before the Ontario Securities Commission (the "**Commission**") pursuant to sections 127 and 127.1 of the *Securities Act,* R.S.O. 1990, c. S.5, as amended (the "**Act**"), to consider whether Devon Ricketts ("**Ricketts**") and Mark Griffiths ("**Griffiths**") (collectively, the "**Respondents**") breached the Act.

[2] On March 22, 2012, Enforcement Staff of the Commission ("**Staff**") filed a Statement of Allegations against Morgan Dragon Development Corp. ("**MDDC**"), John Cheong ("Cheong"), Herman Tse ("**Tse**"), Ricketts and Griffiths, and the Commission issued a Notice of Hearing on the same day. On March 26, 2012, the Commission issued an Amended Notice of Hearing. Staff alleges that between September 2007 and July 2011 (the "**Material Time**") the Respondents engaged in or held themselves out as engaging in the business of trading in securities without being registered to do so, contrary to subsection 25(1) of the Act, formerly subsection 25(1)(a) of the Act, and distributed securities without filing a preliminary prospectus and prospectus, and without receipts having been issued for them by the Director, in circumstances in which no exemption was available, contrary to subsection 53(1) of the Act.

[3] On March 25, 2013, at Staff's request and on consent of counsel for MDDC, Cheong, Tse and Ricketts, the Commission ordered that the hearing on the merits proceed as a written hearing pursuant to Rule 11.5 of the Commission's *Rules of Procedure* (2012), 35 O.S.C.B. 10071 (the "***Rules of Procedure***") and set a schedule for written submissions by the parties (*Re Morgan Dragon Development Corp. et al.* (2013), 36 O.S.C.B. 3166 ("**Written Hearing Order**")).

[4] Before Staff filed its submissions on the merits, MDDC, Cheong and Tse (the "**Settling Respondents**") entered into a Settlement Agreement with Staff dated April 8, 2013 (the "**Settlement Agreement**") in relation to the matters set out in the Statement of Allegations. The Commission approved the Settlement Agreement by order of April 10, 2013 (*Re Morgan Dragon Development Corp. et al.* (2013), 36 O.S.C.B. 4212).

[5] Staff filed the Affidavit of Jeff Thomson, sworn April 19, 2013, which appended two volumes of evidence and is entered as Exhibit 1 ("**Ex. 1**") to this written hearing. Staff also filed the first Affidavit of Service of Peaches Barnaby, sworn April 25, 2013 and entered as Exhibit 2 ("**Ex. 2**"), the second Affidavit of Service of Peaches Barnaby, sworn on June 7, 2013 and entered as Exhibit 3 ("**Ex. 3**"), and the Affidavit of Service of Nancy Poyhonen, sworn on March 15, 2013 and entered as Exhibit 4 ("**Ex. 4**") to this written hearing. Finally, Staff also filed written submissions, dated May 23, 2013. Neither of the two Respondents has participated or provided written submissions on the merits.

B. The Respondents

1. Devon Ricketts

[6] Ricketts was a resident of Ontario during the Material Time and worked at MDDC's head office in Markham, Ontario. There is no record of Ricketts having been registered under the Act during the Material Time.

2. Mark Griffiths

[7] Griffiths was a resident of Ontario during the Material Time and worked at MDDC's head office in Markham, Ontario. There is no record of Griffiths having been registered under the Act during the Material Time.

C. Settling Respondents

1. Morgan Dragon Development Corp.

[8] MDDC was incorporated in Ontario on November 1, 2007 and has its head office in Markham, Ontario. MDDC was engaged in promoting and distributing units of limited partnerships that hold and develop interests in real estate in the Province of Saskatchewan.

[9] MDDC registered under the Act as a limited market dealer on May 15, 2009, and continued its registration under the Act as an exempt market dealer on September 28, 2009. MDDC was also registered as an exempt market dealer with the provinces of Alberta, British Columbia, and Manitoba. MDDC's registration under the Act was suspended effective January 27, 2012 (*Re Morgan Dragon Development Corp. et al.* (2012), 35 O.S.C.B. 1753 ("**Director's Decision**"))**.**

2. John Cheong

[10] Cheong was the Secretary, the Treasurer, and a Director of MDDC throughout the Material Time. Cheong owns 50% of the shares in MDDC and is a directing mind of the company.

[11] From May 15, 2009 to September 28, 2009, Cheong was registered under the Act as a trading officer and an approved designated compliance officer, director and shareholder of MDDC. On September 28, 2009, Cheong became registered as the chief compliance officer and dealing representative and continued as an approved officer, director and shareholder of MDDC. Cheong's registration under the Act was suspended effective January 27, 2012 (Director's Decision, supra).

3. Herman Tse

[12] Tse was the President and a Director of MDDC throughout the Material Time. Tse owns 50% of the shares in MDDC and is a directing mind of the company.

[13] As of May 15, 2009, Tse was approved under the Act as a non-trading, non-resident officer, director and shareholder of MDDC. Tse became registered as the ultimate designated person on October 16, 2009. Tse's registration under the Act was suspended effective January 27, 2012 (Director's Decision, *supra*).

II. PRELIMINARY ISSUES

A. Notice and Failure to Participate

[14] Subsection 6(1) of the *Statutory Powers Procedure Act,* R.S.O. 1990, c. S. 22, as amended (the "**SPPA**") requires that "reasonable notice" be given to parties to a proceeding, and subsection 6(4) of the SPPA sets out the requirements for notice of a written hearing:

> **Notice of hearing**
>
> 6.(1) The parties to a proceeding shall be given reasonable notice of the hearing by the Tribunal.
>
> […]
>
> **Written hearing**
>
> [6.](4) A notice of a written hearing shall include,
>
> (a) a statement of the date and purpose of the hearing, and details about the manner in which the hearing will be held;
>
> (b) a statement that the hearing shall not be held as a written hearing if the party satisfies the tribunal that there is good reason for not holding a written hearing (in which case the tribunal is required to hold it as an electronic or oral hearing) and an indication of the procedure to be followed for that purpose;
>
> (c) a statement that if the party notified neither acts under clause (b) nor participates in the hearing in accordance with the notice, the tribunal may proceed without the party's participation and the party will not be entitled to any further notice in the proceeding.

[15] Subsection 7(1) of the SPPA authorizes a tribunal to proceed in the absence of a party when that party has been given notice of an oral hearing and subsection 7(2) of the SPPA provides similar authority for the purpose of written hearings:

> **Effect of non-attendance at hearing after due notice**
>
> 7.(1) Where notice of an oral hearing has been given to a party to a proceeding in accordance with this Act and the party does not attend at the hearing, the tribunal may proceed in the absence of the party and the party is not entitled to any further notice in the proceeding.
>
> (2) Where notice of a written hearing has been given to a party to a proceeding in accordance with this Act and the party neither acts under clause 6 (4) (b) nor participates in the hearing in accordance with the notice, the tribunal may proceed without the party's participation and the party is not entitled to any further notice in the proceeding.

[16] Further, Rule 7.1 of the Commission's Rules of Procedure provides:

> 7.1 **Failure to Participate** – If a Notice of Hearing has been served on any party and the party does not attend the hearing, the Panel may proceed in the party's absence and that party is not entitled to any further notice in the proceeding.

[17] Rule 11 of the Rules of Procedure permits the Commission to conduct a proceeding by means of a written hearing. On March 25, 2013, the Commission ordered that the hearing on the merits proceed by way of written hearing and established a schedule for filing materials. The Commission ordered that Staff file evidence in affidavit form with the Secretary's office no later than April 26, 2013 and any written submissions no later than May 24, 2013 and that the respondents file evidence in affidavit form no later than May 17, 2013 and any written submissions no later than May 31, 2013 (Written Hearing Order, *supra*).

[18] The two Affidavits of Service of Peaches Barnaby support that the Respondents have been served with the Written Hearing Order and with disclosure of materials that Staff is relying on in the written hearing on the merits, including Staff's written submissions, briefs of authorities and the Affidavit of Jeff Thomson with appended exhibits (Ex. 2 and Ex. 3).

[19] Staff submits that Ricketts was provided with a notice of the proceeding. At the time when the hearing on the merits was converted to a written hearing, Ricketts was represented by counsel who consented to the written hearing. On April 8, 2013, counsel for Ricketts filed a notice of motion, pursuant to Rule 1.7.4 of the Rules of Procedure, for leave to withdraw as representative for Ricketts. At that time, Ricketts' counsel also filed an affidavit stating that Ricketts has been advised that disclosure is available in connection with this matter and was made aware of the dates scheduled for the merits hearing to proceed in writing. On April 9, 2013, the Commission granted counsel leave to withdraw as representative for Ricketts (*Re Morgan Dragon Development Corp. et al.* (2013), 36 O.S.C.B. 4211).

[20] Subsection 4(1) of the SPPA permits any procedural requirement of the Act to be waived with consent of the parties. At the time of the Written Hearing Order, Ricketts was represented by counsel who consented to the hearing proceeding in writing. Based on the affidavits of service filed in this matter and the fact that Ricketts was represented, I am satisfied that Ricketts was given reasonable notice in accordance with subsection 6(1) of the SPPA. Given the consent of then-counsel for Ricketts, I also find that the requirements of subsection 6(4) of the SPPA with respect to statements in a notice of a written hearing were waived, pursuant to subsection 4(1) of the SPPA.

[21] Staff submits that it has provided notice of the proceeding to Griffiths. In support of its submission, the Affidavit of Nancy Poyhonen details the steps taken by Staff to serve Griffiths with Staff's request to the Office of the Secretary to convert this matter to a written hearing and a draft order detailing the same (Ex. 4). The Written Hearing Order, *supra,* states that Griffiths "has never attended any hearing in this matter or participated in the proceeding in any way, although properly served with the Notice of Hearing and Amended Notice of Hearing and Staff's Statement of Allegations" and that "Griffiths has not objected to this matter proceeding as a written hearing, though properly notified by Staff". The two Affidavits of Service of Peaches Barnaby demonstrate Staff's continued service on Griffiths (Ex. 2 and Ex. 3). Furthermore, the Notice of Hearing, Statement of Allegations and Amended Notice of Hearing were posted on the Commission's website, as was the Written Hearing Order which sets out the deadlines for filing of materials for the written hearing on the merits.

[22] Based on the affidavits of service filed in this matter and the fact that the Written Hearing Order and related materials were posted on the Commission's website, I am satisfied that Griffiths was given reasonable notice. Accordingly, I am entitled to proceed in the absence of the Respondents in accordance with section 7 of the SPPA and Rule 7.1 of the Commission's *Rules of Procedure.*

B. Jurisdiction

[23] The Commission's mandate, as outlined in section 1.1 of the Act, is to provide protection to investors from unfair, improper or fraudulent practices, and to foster fair and efficient capital markets and confidence in capital markets.

[24] In *Gregory & Co. v* Quebec (Securities Commission), [1961] S.C.R. 584 ("***Gregory***"), the Supreme Court of Canada ("**SCC**") held that, despite the fact that the appellant company dealt with clients residing outside of Quebec, it did carry on the business of trading in securities for the purposes of Quebec securities law. The SCC determined that Quebec securities law was enacted to protect the public from being defrauded as a result of activities initiated in the province by persons therein carrying on the business of trading in securities. According to the SCC, several factors indicated a nexus between the appellant and Quebec, including that the appellant's head office address and telephone number, which clients were invited to contact, were in Montreal, orders for securities were solicited by telephone from Montreal, a bulletin promoting sales of securities was prepared and printed in Montreal, payments made by cheque were sent to Montreal and a substantial bank account was kept by the appellant in Montreal (*Gregory, supra* at 589-590).

[25] In *Re Allen* (2005), 28 O.S.C.B. 8541 *("**Allen**")* the Commission held that it "has jurisdiction over a trade in securities, notwithstanding that the purchaser is in a different province, provided that some substantial aspect of the transaction occurred within Ontario" (para. 21). In Allen, the respondent's offices and operations were based in Ontario, the promotional materials were mailed from Ontario, the phone calls were made from Ontario and cheques in payment for the securities were sent to Ontario (*Allen, supra* at para. 20).

[26] The investors in this case resided in several Canadian provinces. However, the units sold were units of limited partnerships formed under Ontario's *Limited Partnerships Act,* R.S.O. 1990, c. L. 16, as amended (the "***LP Act***"), naming Ontario corporations as the general partners, which had registered offices in Markham, Ontario. Investors were solicited by telephone calls originating in Markham, Ontario, and promotional materials and other documents were sent to investors from Ontario. Investors made the payments to the Ontario corporations via courier or to a bank account in Ontario. Therefore, there is sufficient nexus to Ontario for the Commission to have jurisdiction over the Respondents.

C. Standard of Proof

[27] The standard of proof in administrative proceedings is the civil standard of proof on a balance of probabilities, which requires that the trier of fact decide whether it is more likely than not that an alleged event occurred (*F.H. v. McDougall,* [2008] 3 S.C.R. 41 ("**F.H.**") at paras. 40 and 44). To meet this standard of proof, the evidence must be sufficiently clear, convincing and cogent (*F.H., supra* at 46).

III. ISSUES

[28] Staff's evidence raises the following issues:

(a) Did the Respondents trade in securities, or engage in or hold themselves out as engaging in the business of trading in securities, without being registered to do so, in circumstances in which no exemption was available, contrary to subsection 25(1)(a) of the Act, as that section existed at the time the conduct commenced, and contrary to subsection 25(1) of the Act, as subsequently amended on September 28, 2009? and

(b) Did the Respondents distribute securities without having filed a preliminary prospectus or a prospectus and without an exemption from the prospectus requirement, contrary to subsection 53(1) of the Act?

IV. EVIDENCE

A. Overview

[29] Staff tendered the affidavit of a senior investigator, Jeff Thomson ("**Thomson**"), sworn April 19, 2013 and entered as Exhibit 1 to this written hearing, together with two volumes of exhibits to his affidavit, Volume 1 ("**Ex. 1, Vol. 1**") and Volume 2 ("**Ex. 1, Vol. 2**"). Through Thomson's affidavit, Staff tendered excerpts from transcripts of interviews with one of the Settling Respondents, Cheong and three investors, J.R., C.D. and H.H., and a full transcript of Ricketts's compelled examination of August 22, 2011.

[30] Staff also introduced a number of documents through Thomson's affidavit, including:

a. documents received from investor G.N., such as a subscription agreement and related fax correspondence;

b. investor presentation materials;

c. payment receipts;

d. corporate profile reports for MDDC and the general partners of each limited partnership;

e. limited partnership reports;

f. a national registration database report;

g. a MDDC training manual;

h. offering memoranda;

i. a limited partnership agreement;

j. an investor list;

k. reports of payments to Ricketts and Griffiths;

l. section 139 of the Act certificates;

m. bank account opening documents;

n. other subscription agreements;

o. certificates for units of limited partnerships; and

p. letters, fax and email communications.

[31] As noted above, the Respondents did not file any materials, nor did they make any submissions, on the merits of this matter.

[32] To protect the privacy of investors and witnesses, I have referred to them anonymously by initials rather than using their respective names. In addition, I direct that Staff provide a redacted version of the record to serve the same purpose. Specifically, I request that Staff provide a redacted copy of the evidence tendered for the public record, in accordance with the Commission's Practice Guideline of April 24, 2012, "Use and Disclosure of Personal Information in Ontario Securities Commission's Adjudicative Proceedings". In addition, I also direct that investor names be redacted from the record.

B. Use of Hearsay Evidence

[33] Subsection 15(1) of the SPPA allows the panel to admit relevant hearsay evidence, subject to the weight given to such evidence. Subsection 15(1) of the SPPA provides:

> **What is admissible in evidence at a hearing**
>
> 15.(1) Subject to subsections (2) and (3), a tribunal may admit as evidence at a hearing, whether or not given or proven under oath or affirmation or admissible as evidence in a court,
>
> (a) any oral testimony; and
>
> (b) any document or other thing,
>
> relevant to the subject-matter of the proceeding and may act on such evidence, but the tribunal may exclude anything unduly repetitious.

[34] The panel determines how much weight should be accorded to hearsay evidence (*Re Sunwide Finance Inc.* (2009), 32 O.S.C.B. 4671 *(*"***Sunwide***"*) at para. 22).

C. Use of Compelled Testimony

[35] As stated above, Staff has tendered, through the affidavit of Thomson, the compelled testimony of Ricketts and certain excerpts from voluntary and compelled interviews with Cheong. This evidence is admissible hearsay. Subsection 17(6) of the Act permits disclosure of compelled testimony, given under investigative powers of section 13 of the Act, in connection with a proceeding commenced by the Commission under the Act.

[36] In *Alberta (Securities Commission) v. Brost,* 2008 A.B.C.A. 326 ("Brost"), the respondents argued that the Alberta Securities Commission ("**ASC**") erred by admitting into evidence transcript excerpts from investigative interviews of the respondents. The Alberta Court of Appeal determined that the ASC did not err in admitting the hearsay evidence and noted that the respondents could have applied to the ASC for a subpoena to have other respondents testify, but did not, and elected not to testify themselves, which amounted to a decision by the respondents not to challenge the reliability and content of the hearsay

evidence (*Brost, supra* at paras. 36 and 40). The Alberta Court of Appeal also decided that the parties to a securities proceeding "do not have a reasonable expectation that the content of their investigative interviews will not be used" for the purposes of the act under which the proceedings are initiated (Brost, supra at para. 38).

[37] Rule 4.7 of the Commission's *Rules of Procedure* and section 12 of the SPPA permit a party to request that the Commission issue a summons to a witness, including a party, to give and produce evidence at a hearing. The Respondents had an opportunity to have the witnesses summoned so they could cross-examine them, including the co-respondents. I agree with the conclusion in *Sunwide* that since neither of the Respondents participated, objected to the use of the hearsay evidence, requested to cross-examine on it or introduced contradictory evidence of their own, they have waived their rights to do so (*Sunwide, supra* at para. 24). As a result, the compelled evidence has been entered into evidence and is still subject to my determination of weight to be accorded to it in the circumstances and to evidence law considerations relating to hearsay, particularly relating to co-respondents.

D. Evidence of MDDC's Business

[38] Thomson was assigned to this matter throughout the investigation and has reviewed all documents and records appended in two volumes comprising a single exhibit to his affidavit. Much of the evidence referred to in his affidavit was derived from examinations of respondents and other witnesses by Staff.

[39] Thomson testified that, during the Material Time, MDDC was in the business of promoting and distributing units of three limited partnerships registered under the *LP Act*:

(a) MD Land Pool Limited Partnership, whose general partner is Morgan Dragon Capital Fund Inc., an Ontario corporation incorporated on July 6, 2007 with a registered office in Markham, Ontario ("**Phase 1**").

(b) MD Land Pool Phase 2 Limited Partnership, whose general partner is Morgan Dragon Land Holding Inc., an Ontario corporation incorporated on March 31, 2008 with a registered office in Markham, Ontario ("**Phase 2**").

(c) MD Land Pool Dundurn Limited Partnership, whose general partner is Morgan Dragon Management Inc., an Ontario corporation incorporated on June 23, 2009 with a registered office in Markham, Ontario ("**Dundurn**").

[40] The limited partnership units of Phase 1, Phase 2 and Dundurn shall be referred to in these reasons as the "**LP Units**".

[41] There is no record of registration under the Act for any of the limited partnerships or any of the general partners. Furthermore, none of MDDC or any of the limited partnerships or general partners has ever been a reporting issuer in Ontario, or filed a preliminary prospectus or a prospectus, or delivered "offering memorandums [sic]" to the Commission, or filed reports of exempt distribution during the Material Time.

[42] The Respondents, through MDDC, solicited residents of British Columbia, Alberta, Manitoba and Saskatchewan to purchase the LP Units.

[43] The business was organized in the following way:

(a) MDDC purchased lists of names from a company called Sales Genie;

(b) members of MDDC's staff called potential investors whose names appeared on the lists;

(c) if potential investors were interested, MDDC's administrative staff would send them a package with information about MDDC's business and offering documents;

(d) then, MDDC staff would follow up with interested investors, including giving investors online presentations about the current project and about Saskatchewan's economy and real estate market;

(e) MDDC staff did not qualify investors as accredited investors, though investor CD stated that she was asked questions about the general nature of her wealth to see if she would qualify for the investment;

(f) if the investors were interested in purchasing the LP Units, MDDC would send out documents for them to fill out, including subscription agreements that appended accredited investor forms;

(g) if the investors had difficulties with filling out the paperwork, MDDC sales staff would explain the forms to them and provide assistance with filling them out, as well as instructions on how to make the payment; and

(h) then, the partnerships would use part of the money received from investors to acquire land, upgrade and develop the land into lots and sell the lots. The investors were paid out from the proceeds of the sale of the lots.

[44] From September 2007 through December 2010, MDDC raised approximately $5,247,000 from the distribution of the LP Units.

E. Investor Evidence

1. Investor G.N.

[45] Investor G.N. is a resident of Alberta. In October 2008, G.N. purchased six Phase 2 LP Units from MDDC for $126,000.

[46] G.N. received a fax from Ricketts dated October 2, 2008, enclosing the subscription agreement for Phase 2 LP Units for signature and advising that Ricketts will contact G.N. to walk him through the process. G.N.'s signed subscription agreement is dated October 2, 2008.

2. Investor C.D.

[47] In March 2009, investor C.D. purchased three Phase 2 LP Units and, in August 2009, ten Dundurn LP Units from MDDC for a total of $108,000.

[48] In his interview of August 30, 2011, C.D. told Staff that he first became aware of MDDC when Ricketts called him by telephone several times. C.D. stated that he dealt exclusively with Ricketts.

[49] C.D. told Staff that Ricketts sent him an email containing an information package about Phase 2 that outlined the property and its history.

[50] C.D. recalled that Ricketts told him that he will receive a subscription agreement from MDDC. C.D.'s signed subscription agreement for Phase 2 LP Units is dated March 30, 2009. C.D. also received a payment receipt and letter of confirmation for his purchase of Dundurn LP Units.

3. Investor H.H.

[51] In July 2010, investor H.H. purchased ten Dundurn LP Units from MDDC for $45,000.

[52] In his interview of August 30, 2011, H.H. told Staff he was first contacted by MDDC by telephone. After receiving an initial package by email solicitation, Griffiths contacted H.H. by telephone. H.H. recalled that Griffiths told H.H. about the success of MDDC's previous developments and H.H. deduced from Griffiths statements that investors made money on previous projects. H.H. told Staff that the communications concerning the subscription agreement were between H.H. and Griffiths.

[53] On June 28, 2010, H.H. received a fax from Griffiths enclosing the subscription agreement and advising that Griffiths will contact H.H. to walk him through the process and providing MDDC's bank account information. Griffiths did not mention anything about the commission he would receive from selling the LP Units.

[54] H.H.'s signed subscription agreement is dated June 28, 2010 and was sent to MDDC via fax and courier on July 5, 2010, together with a cheque signed by H.H. on behalf of his company, for $45,000.

[55] On July 19, 2010, H.H. received an email from Griffiths confirming the receipt of the documents and advising that Griffiths will contact H.H. to follow up regarding H.H.'s business friends, who may also be interested in investing in the project. Griffiths sent another letter dated August 10, 2010, as a follow-up regarding H.H.'s associates and enclosed an information package about the investment opportunity, including Griffiths' business card that identifies him as a "Sales Associate".

4. Investor J.R.

[56] In late 2010, investor J.R. purchased one Dundurn LP Unit from MDDC for $5,000.

[57] J.R. was first contacted by MDDC by telephone by an individual who identified himself as Devon. After the initial contact, J.R. was dealing mostly with Griffiths and MDDC's administrative staff. J.R. recalled receiving instructions from both Ricketts and Griffiths on how to pay.

[58] J.R.'s signed subscription agreement is dated November 16, 2010. J.R. sent it back to MDDC by courier, together with a personal cheque for $5,000.

[59] J.R. received a letter from MDDC confirming the receipt of payment and enclosing the offering memorandum for the Dundurn project.

F. Compelled Testimony of Ricketts

[60] On August 22, 2011, Staff conducted a compelled examination of Ricketts (Ex. 1, Vol. 1, Tab F). The admissions referred to in these reasons as attributable to Ricketts are based on Staff's compelled examination of him.

[61] Ricketts told Staff that he began working at MDDC in 2007. Ricketts considered himself to be the office manager at MDDC and stated that he had approximately eight people reporting to him.

[62] Ricketts told Staff that MDDC's marketing department made initial contact with potential investors based on leads generated by a database called "Sales Genie". He also stated that MDDC subsequently sent brochures to those who were interested.

[63] Ricketts admitted that his duties at MDDC included the following:

(a) after MDDC's marketing department made the initial contact with potential investors, Ricketts followed up with them by telephone and made online presentations about the merits of the MDDC investment opportunity for the purpose of making a sale. He did not cold call people;

(b) Ricketts made 12-14 calls on average per day, ranging between 5 and 25 minutes in length;

(c) Ricketts assisted investors with filling out subscription agreements, but not the accredited investor section;

(d) Ricketts would explain the prices of the LP Units to potential investors;

(e) Ricketts notified investors that materials, including subscription agreements, will be sent to them;

(f) Ricketts trained sales staff on how to do the presentations, educated the employees in the marketing department about the investment projects and managed them while they were working; and

(g) Ricketts also sold real estate lots after the property was developed.

[64] Ricketts stated that he never fully read MDDC's offering memoranda. He told Staff that he did not send out any materials to the investors, never sent out email instructions to them, nor did any clients ever communicate with him by email. When Ricketts was questioned about the business card that referred to him as the "Area Sales Manager", he stated that it was related to the real estate part of MDDC's business.

[65] With respect to the financial circumstances of the individuals being solicited, Ricketts stated that he did not ask the potential investors about their incomes or their financial position in order to qualify them as accredited investors. Ricketts stated that, to his knowledge, Cheong and administrative staff would provide the marketing department with leads of potential investors who were supposed to be accredited. Ricketts' understanding was that all the people that invested with MDDC were accredited investors because they filled out the accredited investor form.

[66] Ricketts was paid exclusively on commission. The commission was calculated as 10% of the investment amount that he solicited from investors. Ricketts employment agreement with MDDC was not in writing.

[67] Ricketts admitted that he was studying the limited market dealer course manual because he was told that the law changed in late 2010 and that he could not sell the LP Units until he is licensed. Ricketts admitted that prior to being told of the change in the law he was selling LP Units without being registered. Ricketts also told Staff that he took the Canadian Securities Course, but did not pass the exam. He also admitted that he is not, and has never been, registered in any jurisdiction in Canada during the Material Time.

G. Testimony of Cheong

1. Voluntary Interview

[68] On May 6, 2011, Cheong gave a voluntary interview to Staff ("**Cheong's Voluntary Testimony**") (Ex. 1, Vol. 2, Tab G). The evidence referred to in this section is attributable to Cheong's Voluntary Testimony.

[69] MDDC operates out of Ontario. MDDC employs "finders" – employees who contact potential investors in Saskatchewan, Manitoba, Alberta and British Columbia by telephone to provide MDDC's offering and project information to

them. MDDC provides finders with lists of names and phone numbers from Sales Genie. This evidence was corroborated by Cheong's compelled interview that took place on February 2, 2012, which is discussed below.

[70] Cheong provided Staff with a list of finders that work for MDDC, which included the names of Griffiths and Ricketts.

[71] Cheong confirmed that only administrative staff from MDDC sent out the paperwork to the investors, including brochures, subscription agreements, accredited investor forms and offering memoranda.

[72] According to Cheong, Ricketts had been working for MDDC since 2007 as a finder. Ricketts also assisted with the management of MDDC, including recruiting and training new finders. To Cheong's knowledge, Ricketts is not registered with the Commission.

[73] MDDC paid its finders on commission only. Commission ranged from 8 to 10% of the investment solicited by the finder, depending on the project. Finders do not get paid for referring clients that do not invest with MDDC.

[74] Cheong provided Staff with the Phase 1 limited partnership agreement, the Phase 2 offering memoranda and the Dundurn offering memoranda.

2. Compelled Interviews

[75] On September 21, 2011, February 2, 2012, and March 27, 2012, Cheong gave compelled interviews to Staff ("**Cheong's Compelled Testimony**"). The evidence referred to in this section is attributable to Cheong's Compelled Testimony.

[76] According to Cheong, sales presentations were done by both Ricketts and Griffiths. Cheong told Staff that the only reason the finders were contacting potential investors was to sell them LP Units.

[77] Cheong stated that Ricketts worked on all three projects – Phase 1, Phase 2 and Dundurn – and that Griffiths worked on the latter two projects.

[78] Cheong provided Staff with a QuickBooks accounting record of cheque disbursements to Ricketts from September 2007 to August 2011 and to Halfatree Enterprises ("**Halfatree**") from July 2009 to May 2011. Cheong gave evidence that Halfatree was Griffiths' company and corporate records obtained by Staff confirm that Halfatree was a sole proprietorship registered by Griffiths. The accounting records indicate that, during the Material, Time Ricketts received $177,094.50 and Griffiths, via Halfatree, received $51,192.50. I note that the affidavit of Thomson indicates that Ricketts was paid sales fees of $177,254 (Ex. 1 at para. 76). However, the supporting documentation records a payment of $160 outside of the Material Time (Ex. 1, Vol. 2, Tab H4). Therefore, I accept that Ricketts received $177,094.50 in sales fees during the Material Time. A portion of the payments made to Ricketts were funds for his managerial and training duties at MDDC.

[79] Cheong also provided Staff with a list of investors for Phase 1, Phase 2 and Dundurn. All investors that gave evidence to Staff in this matter were found on that list.

[80] Cheong provided Staff with signed subscription agreements for Phase 1, Phase 2 and Dundurn. It appears that the earliest subscription agreement was dated October 2007, and the latest dated December 2010. At least three payments for LP Units subscriptions were received in 2011.

V. LAW AND ANALYSIS

A. Did the Respondents engage in unregistered trading, contrary to s. 25(1)(a) of the Act, as that section existed at the time the conduct commenced, and s. 25(1) of the Act, as subsequently amended on September 28, 2009?

1. The Law

[81] During the Material Time, prior to September 28, 2009, subsection 25(1)(a) of the Act set out the registration requirement as follows:

> **25. (1) Registration for trading**
>
> No person or company shall,
>
> (a) trade in a security or act as an underwriter 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;

…

and the registration has been made in accordance with Ontario securities law and the person or company has received written notice of the registration from the Director and, where the registration is subject to terms and conditions, the person or company complies with such terms and conditions.

[82] During the Material Time, on and after September 28, 2009, subsection 25(1) of the Act set out the registration requirement as follows:

Registration

Dealers

25. (1) Unless a person or company is exempt under Ontario securities law from the requirement to comply with this subsection, the person or company shall not engage in or hold himself, herself or itself out as engaging in the business of trading in securities unless the person or company,

(a) is registered in accordance with Ontario securities law as a dealer; or

(b) is a representative registered in accordance with Ontario securities law as a dealing representative of a registered dealer and is acting on behalf of the registered dealer.

[83] Section 1.3 of Companion Policy 31-103: *Registration Requirements and Exemptions* (2009) 32 O.S.C.B. (Supp-2), sets out a number of relevant factors that may be indicative of whether trading or advising in securities is done for a business purpose. The relevant factors are:

a. engaging in activities similar to a registrant, including promoting securities or stating in any way that the individual or firm will buy or sell securities;

b. intermediating trades or acting as a market maker;

c. directly or indirectly carrying on the activity with repetition, regularity or continuity, including regularly trading or advising in any way that produces, or is intended to produce, profits to be for a business purpose;

d. being, or expecting to be, remunerated or compensated for carrying on the activity;

e. directly or indirectly soliciting, including contacting someone by any means, including advertising that proposes buying or selling securities or participating in a securities transaction, or offering services or advice for that purpose.

[84] A "security" is defined in subsection 1(1) the Act to include:

(a) any document, instrument or writing commonly known as a security,[…]

(e) a bond, debenture, note or other evidence of indebtedness or a share, stock, unit, unit certificate, participation certificate, certificate of share or interest, preorganization certificate or subscription […]

(n) any investment contract

[85] The definition of "security" includes an "investment contract", which term has been defined by the Supreme Court of Canada in *Pacific Coast Coin Exchange v. Ontario Securities Commission* [1978] 2 S.C.R. 112 *(*"***Pacific Coast Coin***"), as "an investment of money in a common enterprise with profits to come from the efforts of others".

[86] The Commission has found that a limited partnership unit of the Axcess Fund was a "security" within the meaning of subsections 1(e) and 1(n) of the Act (*Re Axcess Automation LLC* (2012), 35 O.S.C.B. 9019 at paras. 152-153).

[87] The terms "trade" or "trading" are defined in subsection 1(1) of the Act as:

(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.

[88] The inclusion of the word "indirectly" in the definition of "trade" indicates the Legislature's intention to make the definition broad in order to capture conduct which seeks to avoid the registration and prospectus requirements by indirectly engaging in prohibited behaviour (*R. v. Sussman* (1993), 1 C.C.L.S. 273 (Ont. Ct. J. (Prov. Div.) at paras. 47-48).

[89] Cases considering the issue of acts in furtherance of trade, which are referenced in subsection 1(1)(e) of the definition of "trade", indicate that the primary emphasis is on a contextual approach that examines the totality of the conduct, the setting in which it occurs, and the effects of the acts on those to whom they were directed (*Re Momentas Corp.* (2006), 29 O.S.C.B. 7408 ("***Momentas***") at para. 77). Case law has interpreted the following activities as among those constituting acts in furtherance of trading:

a. providing potential investors with subscription agreements to execute;

b. distributing promotional materials concerning potential investments;

c. issuing and signing 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* at para. 80).

[90] Furthermore, acts in furtherance of trade do not require that a final sale, or an actual trade, occur (Momentas at para. 78).

[91] Once Staff establishes that there was a contravention of the registration or prospectus requirements under the Act, the onus is on the Respondents to prove that an exemption was available to them under the Act (*Re Lydia Diamond Exploration of Canada Ltd.* (2003), 26 O.S.C.B. 2511 at paras. 83-84).

[92] In this case, there is some indication that the Respondents may have sought to rely upon the "accredited investor" exemption found in subsection 2.3 of National Instrument 45-106 ("**NI 45-106**") before September 28, 2009, and subsection 3.3(1) of NI 45-106 from September 28, 2009 to March 27, 2010. The definition of "accredited investor" is found in section 1.1 of NI 45-106 and includes:

> (j) an individual who, either alone or 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,
>
> (k) an individual whose net income before taxes exceeded $200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year, […]

[93] Section 2.43 of NI 45-106, subsequently subsection 3.0(1)(b) of NI 45-106 from September 28, 2009 to March 27, 2010, provides that the accredited investor exemption from the dealer registration requirement is not available to a "market intermediary". During the Material Time, section 3.2 of Companion Policy 45-106CP – *Prospectus and Registration Exemptions* ("**45-106CP**") indicated that in Ontario a person is a market intermediary if the person is in the business of trading in securities as principal or agent. The definition of "market intermediary" is found in subsection 1.1(2) of Ontario Securities Commission Rule 14-501, which prior to September 28, 2009 directed the reader to subsection 204(1) of Ont. Reg. 1015 – R.R.O. 1990, Regulation 1015, and provides:

> "**market intermediary**" means a person or company that engages or holds himself, herself or itself out as engaging in Ontario in the business of trading in securities as principal or agent, other than trading in securities purchased by the person or company for his, her or its own account for investment only and not with a view to resale or distribution, and, without limiting the generality of the foregoing, includes a person or company that engages or holds himself, herself or itself out as engaging in the business of,

(a) entering into agreements or arrangements with underwriters or issuers, in connection with distributions of securities, to purchase or sell such securities,

(b) participating in distributions of securities as a selling group member,

(c) making a market in securities, or

(d) trading in securities with accounts fully managed by the person or company as agent or trustee,

whether or not the person or company engages in trading in securities purchased for investment only;

[94] Section 3.2 of 45-106CP indicates that during the Material Time the Commission took the position that:

> if an issuer retains an employee whose primary job function is to actively solicit members of the public for the purposes of selling the issuer's securities, the issuer and its employee are in the business of selling securities, both the issuer and its employees [are considered by the Commission] to be market intermediaries […and] in order to be in compliance with securities legislation, these issuers and their employees should be registered under the appropriate category of registration in Ontario.

[95] Further, section 3.0 of Companion Policy 45-501CP – *Ontario Prospectus and Registration Exemptions* provides guidance that, after the introduction of the "business trigger" for dealer registration on September 28, 2009 and a transition period, any person or company "in the business of trading securities" is required to register and may not take advantage of the accredited investor exemption.

2. Analysis

(a) LP Units are Securities

[96] LP Units purchased by investors in this case are securities within the meaning of the Act.

[97] The offering documents explicitly state: "[t]his Offering Memorandum constitutes an offering of these securities …" and refers to "securities" a number of times throughout.

[98] For the following reasons, LP Units satisfy the requirements for an investment contract set out in *Pacific Coast Coin* and are therefore "securities" within the meaning of subsection 1(1)(n) of the definition of "security":

a) Investors advanced money as evidenced by the spreadsheets of investments received by MDDC and amounts corroborated by the subscription agreements (Ex. 1, Vol. 2, Tabs J6-J9 and H6).

b) Investors expected to make a profit:

i) The purpose expressed in both the Phase 2 and the Dundurn offering memoranda is that the partnership was established to issue units to raise funds to purchase interest in real property, develop it, sell it, and distribute net proceeds to the limited partners.

ii) The Phase 1 Limited Partnership agreement provides that there is no cash distribution until the real estate lots are sold and that the cash generated from those sales is intended to be used to pay partnership expenses and subsequently distributed to the partners on an agreed basis.

iii) Investor C.D. said that Ricketts discussed the success of previous projects with him and the great possibilities to make money with these projects.

iv) Investor H.H. said that Griffiths discussed the success of previous projects with him.

c) This was a common enterprise in which fortunes of the investors were interwoven with, and dependent upon, the efforts and success of those who solicited the capital or third parties:

i) Investor C.D., when asked about various details about the project, spoke about the representations of how successful past and future projects were or will be, and vaguely described the details making

it apparent that his investment depended on successful execution of the project by the general partner.

ii) Investor H.H. described what he was told by the company prior to investing, and part of his understanding of what the investment entailed was that he was going to be an investor enabling financially the project to be brought to fruition, but the rest of the work associated with making the project successful was to be done by the general partner.

iii) The offering documents make it clear that the investors must rely on management of the general partner to make appropriate decisions on behalf of limited partners for the purpose of the common enterprise.

[99] Investors themselves had no role in the project beyond investing money. The LP Units in this case fit under the definition of "security" pursuant to subsection (1)(1)(e) of the Act as they constitute "units" or "unit certificates" and investors received certificates and/or payment receipts for their investments. The LP Units also constitute "investment contracts" and come within the definition of "security" pursuant to subsection 1(1)(n) of the Act, as determined above.

(b) Ricketts

[100] Ricketts engaged in trading LP Units and acts in furtherance of trading LP Units, in the following ways:

a. Ricketts was an employee of MDDC, and in this capacity he solicited investors by calling them and making online presentations to them about the merits of the MDDC investment opportunity for the purpose of making a sale;

b. Ricketts advised investors on the prices of the LP Units;

c. Ricketts provided investors with instructions on how to make payments and assisted investors with filling out the paperwork (e.g. subscription agreements);

d. Ricketts notified investors that materials, including subscription agreements, will be sent to them;

e. Though Ricketts claimed that he did not send out the subscription agreements, investor G.N. provided Staff with a copy of a fax he received from Ricketts enclosing the subscription agreement.

f. Though Ricketts claimed that he did not communicate with his clients by email, investor C.D. provided Staff with a copy of an email he received from Ricketts containing promotional materials about Phase 2;

g. I find that Ricketts was paid $177,094.50 during the Material Time as an amount for commission based on the value of the securities he sold, was not paid for making calls unless they resulted in sales and a portion of the payments to Ricketts was compensation for his training of sales staff and managerial duties at MDDC; and

h. Ricketts admitted to selling the LP Units.

[101] As stated above, during the Material Time, Ricketts was not registered under the Act in any capacity.

[102] Based on the evidence, Ricketts' primary job function as an employee of MDDC was to actively solicit investors to purchase LP Units. Therefore, both MDDC and Ricketts were in the business of selling securities and are both market intermediaries. For this reason the "accredited investor" exemption does not apply to Ricketts. Furthermore, after the introduction of the "business trigger" for dealer registration on September 28, 2009 and a transition period, Ricketts is required to register and may not take advantage of the accredited investor exemption.

[103] Based on the evidence, I find that Ricketts traded in securities without registration and without a registration exemption being available, contrary to s. 25(1)(a) of the Act, as that section existed at the time the conduct commenced, and s. 25(1) of the Act, as subsequently amended on September 28, 2009.

(c) Griffiths

[104] Griffiths engaged in trading LP Units and acts in furtherance of trading LP Units, in the following ways:

a. Griffiths was an employee of MDDC and in this capacity he solicited investors by calling them and making online presentations to them about the merits of the MDDC investment opportunity for the purpose of making a sale;

b. Griffiths made representations about the success of MDDC's previous investment projects in order to induce investor H.H. to purchase LP Units;

c. Griffiths faxed a subscription agreement to investor H.H.;

d. Griffiths provided investors J.R. and H.H. with instructions on how to make payments and assisted investors with filling out the paperwork (e.g. subscription agreements);

e. Griffiths' business card, as enclosed with the Dundurn materials sent to investor H.H., identified Griffiths as a "Sales Associate";

f. Griffiths confirmed receipt of payment from investors; and

g. Griffiths was paid $51,192.50, via Halfatree, during the Material Time as commission based on the value of the securities he sold and was not paid for making calls unless they resulted in sales.

[105] As stated above, during the Material Time, Griffiths was not registered under the Act in any capacity.

[106] Based on the evidence, Griffiths' primary job function as an employee of MDDC was to actively solicit investors to purchase LP Units. Therefore, both MDDC and Griffiths were in the business of selling securities and are both market intermediaries. For this reason the "accredited investor" exemption does not apply to Griffiths. Furthermore, after the introduction of the "business trigger" for dealer registration on September 28, 2009 and a transition period, Griffiths is required to register and may not take advantage of the accredited investor exemption.

[107] I find that Griffiths traded in securities without registration and without a registration exemption being available, contrary to s. 25(1)(a) of the Act, as that section existed at the time the conduct commenced, and s. 25(1) of the Act, as subsequently amended on September 28, 2009.

B. Did the Respondents distribute securities without a prospectus, contrary to subsection 53(1) of the Act?

1. The Law

[108] During the Material Time, subsection 53(1) of the Act sets out the prospectus requirement as follows:

> **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 if the trade would be a distribution of the security, unless a preliminary prospectus and a prospectus have been filed and receipts have been issued for them by the Director.

[109] A "distribution" is defined in subsection 1(1)(a) of the Act as "a trade in securities of an issuer that have not been previously issued".

[110] The definitions of "securities", "trade" and "accredited investor" are the same as described in Section V.A.1. above at paragraphs [84]-[90]and [92]. As stated above, the onus is on the Respondents to prove facts establishing the availability of an exemption from the prospectus requirements of subsection 53(1) of the Act.

2. Analysis

[111] As stated above, in this case the LP Units constitute "securities" within the meaning of the Act. The sales of LP Units by the Respondents were trades in securities not previously issued and therefore were distributions.

[112] MDDC has never filed a preliminary prospectus or a prospectus with the Commission, and no prospectus receipt has ever been issued to qualify the sale of LP Units or any other Morgan Dragon securities.

[113] Not all of the subscription agreements were tendered to the Panel for review. The subscription agreements that were included in the evidence were accompanied by signed accredited investor forms. However, there was no evidence presented by the Respondents indicating that the accredited investor exemption was available in every instance of a distribution that occurred in this matter. Furthermore, the Respondents took no reasonable steps to determine or confirm that the investors qualified as accredited investors. For these reasons, the Respondents did not discharge their onus of proving the facts establishing the availability of an exemption from the prospectus requirements of subsection 53(1) of the Act in respect of some of the subscription agreements.

[114] I find that the Respondents engaged in distributing LP Units without a preliminary prospectus or a prospectus being filed, and without receipts being issued, without an exemption available, contrary to s. 53(1) of the Act.

VI. CONCLUSION

[115] For the reasons given above, I conclude that:

(a) The Respondents traded in securities and/or engaged in acts in furtherance of trades in securities without having been registered under the Act to do so, contrary to subsection 25(1)(a), for conduct predating September 28, 2009 and subsection 25(1), for conduct on and after September 28, 2009, of the Act; and

(b) The Respondents engaged in an illegal distribution of securities contrary to subsection 53(1) of the Act.

[116] For the reasons outlined above, I will also issue an order dated April 15, 2014 which sets down the date for the hearing with respect to sanctions and costs in this matter.

Dated at Toronto this 15th day of April, 2014.

"Edward P. Kerwin"

3.1.3 Matthew Schloen

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

AND

IN THE MATTER OF
MATTHEW SCHLOEN

SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
and MATTHEW SCHLOEN

PART I – INTRODUCTION

1. The Ontario Securities Commission (the "Commission") will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 of the Ontario *Securities Act,* R.S.O. 1990, c.S.5, as amended (the "Act"), it is in the public interest for the Commission to approve this Settlement Agreement between Staff of the Commission ("Staff") and Matthew Schloen ("Schloen") (the "Settlement Agreement"), and to make certain orders in respect of Schloen.

PART II – JOINT SETTLEMENT RECOMMENDATION

2. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing against Schloen in accordance with the terms and conditions set out below. Schloen consents to the making of an order against him in the form attached as Schedule "A" on the basis of the facts set out below.

PART III – AGREED FACTS

A. Overview

3. Between May 30, 2011 and June 15, 2011 (the "Material Time"), the Respondent Schloen was made aware of rumours within Bridgewater Systems Corp. ("Bridgewater") that constituted information of a material fact or change which was not generally disclosed (the "undisclosed information"), from which Schloen deduced that Bridgewater was an imminent takeover target. The undisclosed information was provided inadvertently by an employee of Bridgewater whom Schloen knew or reasonably ought to have known was a person in a special relationship with Bridgewater (the "Employee"). Schloen purchased shares in Bridgewater based upon the undisclosed information, and sold the shares immediately after the acquisition of Bridgewater became public knowledge, contrary to subsection 76(1) of the Act and the public interest.

B. Events Leading up to the Takeover of Bridgewater

4. Bridgewater was a software company that developed, designed and marketed mobile personalization products that enabled service providers to manage mobile data servers' content and commerce worldwide. It was listed on the TSX under the symbol "BWC". The company's head office was in Ottawa, and Ontario was the principal regulator. Bridgewater was a reporting issuer as defined in the Act.

5. Amdocs Ltd. ("Amdocs") is a global business and operational support systems company with reported revenue of about US$3.2 billion in 2011. Its shares are listed on the New York Stock Exchange under the symbol "DOX". Amdocs began negotiations to acquire Bridgewater in February 2011.

6. On May 25, 2011, the Strategy Committee established by Bridgewater met and concluded that an acquisition by Amdocs was in the best interests of Bridgewater. On May 30, 2011, the Bridgewater Board of Directors met to review Amdocs' financial proposal. Final details of the acquisition were negotiated from June 1 to June 16, 2011, when the Arrangement Agreement was signed.

7. On June 17, 2011, Bridgewater and Amdocs announced that Amdocs would acquire all of Bridgewater's common shares for $8.20 CAD per share. Immediately after the announcement on June 17, 2011, Bridgewater's shares opened at $8.15 per share, a 30% premium to the closing price of $6.33 on June 16, 2011. The completed acquisition was announced on August 17, 2011. Two days later, Bridgewater ceased to be a reporting issuer.

C. Conduct Breaching the Securities Act and Contrary to the Public Interest

8. Schloen had never purchased Bridgewater shares prior to May 30, 2011. Between May 30 and June 15, 2011, Schloen purchased a total of 15,000 shares of Bridgewater.

9. Schloen sold all Bridgewater shares on June 17, 2011, the day the acquisition of Bridgewater was announced publicly, and made a profit of $23,000. The Employee was unaware of Schloen's purchase and sale of Bridgewater shares.

10. Schloen knew or reasonably ought to have known that the Employee (who was not considered to be an insider by the company) was a person in a special relationship with Bridgewater as defined in subsection 76(5)(c) of the Act. When Schloen learned the undisclosed information from the Employee, Schloen became a person in a special relationship with Bridgewater as defined in subsection 76(5)(e). By purchasing shares in Bridgewater while in possession of the undisclosed information, which was a material fact, Schloen engaged in insider trading, in breach of subsection 76(1) of the Act.

11. Schloen engaged in conduct contrary to the public interest by using undisclosed information not available to other investors in the marketplace at the time.

PART IV – THE RESPONDENT'S POSITION

12. The Respondent requests that the settlement hearing panel consider the following mitigating circumstances:

(a) Schloen has never been a registrant;

(b) During the material time, Schloen did not consider whether the rumours within Bridgewater constituted information of a material fact or change which was not generally disclosed;

(c) During the material time, Schloen did not consider whether buying and selling Bridgewater shares while aware of the undisclosed information would breach subsection 76(1) the Act;

(d) The Respondent acknowledges and accepts responsibility for his conduct and now understands that his purchase and sale of Bridgewater shares breached subsection 76(1) of the Act;

(e) While Schloen believed the undisclosed information was likely to be true, he also did his own research on Bridgewater, using publicly available information; and

(f) Schloen has not been the subject of any prior Commission proceedings or orders.

PART V – TERMS OF SETTLEMENT

13. Schloen agrees to the terms of settlement listed below.

14. The Commission will make an order, pursuant to subsection 127(1) and section 127.1 of the Act, that:

(a) The Settlement Agreement is approved;

(b) Schloen is reprimanded;

(c) Trading in any securities by Schloen shall cease for a period of three years from the date of the approval of the Settlement Agreement;

(d) Acquisition of any securities by Schloen shall be prohibited for a period of three years from the date of the approval of the Settlement Agreement;

(e) Any exemptions contained in Ontario securities law do not apply to Schloen for a period of three years from the date of the approval of the Settlement Agreement;

(f) Schloen shall disgorge to the Commission the sum of $23,000 representing the profit made on the sale of the Bridgewater shares which shall be designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;

(g) Schloen shall pay an administrative penalty of $5,000 to the Commission which is designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;

(h) Schloen shall pay costs of the Commission's investigation in the amount of $5,000;

(i) With regard to the monetary orders in subparagraphs (f), (g) and (h) (the "Monetary Orders") Schloen shall make a payment of $2,500 by certified cheque when the Commission approves this Settlement Agreement. Schloen further shall pay at least $6,100 annually following the date of the approval of the Settlement Agreement until the Monetary Orders are paid in full;

(j) After the Monetary Orders are paid in full, as an exception to the provisions of paragraphs (c), (d) and (e), Schloen will be permitted to trade in or acquire securities in his personal registered retirement savings plan ("RRSP") accounts and/or tax-free savings accounts ("TFSA") and/or for any registered education savings plan ("RESP") accounts for which he is the or a sponsor;

(k) Despite the restrictions set out above, Schloen shall be permitted to continue to participate in his employer's Employee Stock Purchase Plan, provided he sell any stock within two weeks of the purchase date, and to participate fully in the Employee Retirement Plan of his employer; and

(l) Until the entire amount of the Monetary Orders are paid in full, the provisions of paragraphs (c), (d), and (e) above shall continue in force without any limitation as to time.

15. In the event that the Respondent fails to make any of the payments in compliance with the payment schedule set out in paragraph 14(i), the remaining unpaid balance becomes due and payable immediately.

PART VI – STAFF COMMITMENT

16. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Schloen in relation to the facts set out in Part III herein.

17. If this Settlement Agreement is approved by the Commission, and at any subsequent time Schloen fails to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against Schloen based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

PART VII – PROCEDURE FOR APPROVAL OF SETTLEMENT

18. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and Schloen for the scheduling of the hearing to consider the Settlement Agreement.

19. Staff and Schloen agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding their conduct, unless the parties agree that further facts should be submitted at the settlement hearing.

20. If this Settlement Agreement is approved by the Commission, Schloen agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

21. If this Settlement Agreement is approved by the Commission, none of the parties shall make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

22. Whether or not this Settlement Agreement is approved by the Commission, Schloen agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT

23. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

(a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and Schloen leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and Schloen; and

(b) Staff and Schloen shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and the Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

24. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of Schloen and Staff or as may be required by law.

PART IX – EXECUTION OF SETTLEMENT AGREEMENT

25. This Settlement Agreement may be signed on one or more counterparts which together will constitute a binding agreement.

26. A facsimile copy of any signature will be as effective as an original signature.

Signed in the presence of:

"Louise Reid-Schloen"
Witness

"*Matthew Schloen*"
Matthew Schloen

"*Louise Reid-Schloen*"
(Print Name)

Dated this 30th day of March, 2014

STAFF OF THE ONTARIO SECURITIES COMMISSION

"Tom Atkinson"
Tom Atkinson
Director, Enforcement Branch

Dated this 27th day of March, 2014.

SCHEDULE "A"

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

AND

IN THE MATTER OF
MATTHEW SCHLOEN

AND

IN THE MATTER OF
A SETTLEMENT AGREEMENT BETWEEN
STAFF OF THE ONTARIO SECURITIES COMMISSION
AND MATTHEW SCHLOEN

ORDER
(Subsections 127(1) and 127(2) and Section 127.1)

WHEREAS the Ontario Securities Commission (the "Commission") issued a Notice of Hearing dated April ___, 2014 (the "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 filed on April ___, 2014 by Staff of the Commission ("Staff") to consider whether it is in the public interest to make certain orders against Matthew Schloen ("Schloen");

AND WHEREAS Schloen entered into a Settlement Agreement with Staff (the "Settlement Agreement") on March 30, 2014, in which Schloen and Staff agreed to a proposed settlement of the proceeding commenced by the Notice of Hearing, subject to the approval of the Commission;

AND WHEREAS the Commission has reviewed the Notice of Hearing, the Statement of Allegations and the Settlement Agreement, and upon hearing submissions from Schloen and from Staff;

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

IT IS HEREBY ORDERED THAT:

(a) The Settlement Agreement is approved;

(b) Pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Schloen shall cease for three years from the date of the Order;

(c) Pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Schloen shall be prohibited for three years from the date of the Order;

(d) Pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Schloen for three years from the date of the Order;

(e) Pursuant to paragraph 6 of subsection 127(1) of the Act, Schloen is reprimanded;

(f) Pursuant to clause 9 of subsection 127(1) of the Act, Schloen shall pay an administrative penalty of $5,000 to the Commission which shall be designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;

(g) Pursuant to clause 10 of subsection 127(1) of the Act, Schloen shall disgorge to the Commission the sum of $23,000, representing the profit made on the sale of the Bridgewater shares, which shall be designated for allocation or use by the Commission in accordance with section 3.4(2)(b) of the Act;

(h) Pursuant to section 127.1 of the Act, Schloen shall pay the costs of the Commission's investigation in the amount of $5,000;

(i) With regard to the monetary orders in subparagraphs (f), (g) and (h) (the "Monetary Orders") Schloen shall make a payment of $2,500 by certified cheque when the Commission approves this Settlement Agreement.

Schloen further shall pay at least $6,100 annually following the date of the Order until the Monetary Orders are paid in full, and in the event that Schloen fails to make any of the payments in compliance with the payment schedule set out above, the remaining unpaid balance shall become due and payable immediately;

(j) After the Monetary Orders are paid in full, as an exception to the provisions of paragraphs (b), (c) and (d), Schloen will be permitted to trade in or acquire securities in his personal registered retirement savings plan ("RRSP") accounts and/or tax-free savings accounts ("TFSA"), and/or for any registered education savings plan ("RESP") accounts for which he is the or a sponsor;

(k) Despite the restrictions set out above, Schloen shall be permitted to continue to participate in his employer's Employee Stock Purchase Plan, provided he sell any stock within two weeks of the purchase date, and to participate fully in the Employee Retirement Plan of his employer and;

(l) Until the entire amount of the Monetary Orders are paid in full, the provisions of paragraphs (b), (c), and (d) above shall continue in force without any limitation as to time.

DATED AT TORONTO this_____ day of April, 2014.

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
Franchise Services of North America Inc.	08 April 14	21 April 14	21 April 14	
Red Crescent Resources Limited	08 April 14	21 April 2014	21 April 14	
Stealth Minerals Limited	15 April 14	28 April 14		

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
Carpathian Gold Inc.	4 April 14	16 April 14	16 April 14		
Mediterranean Resources Ltd.	8 April 14	21 April 14	21 April 14		
NTG Clarity Networks Inc.	14 Feb 14	26 Feb 14	26 Feb 14	16 Apr 14	

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
Carpathian Gold Inc.	4 April 14	16 April 14	16 April 14		
Mediterranean Resources Ltd.	08 April 14	21 April 14	21 April 14		

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Chapter 5

Rules and Policies

5.1.1 Practice Guideline – April 8, 2014 – Ontario Securities Commission Practice Guideline for French Hearings

PRACTICE GUIDELINE – APRIL 8, 2014
ONTARIO SECURITIES COMMISSION PRACTICE GUIDELINE FOR FRENCH HEARINGS

(Cross-references: *French Language Services Act*, R.S.O. 1990, c. F.32, *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22 and *Ontario Securities Commission Rules of Procedure* (2012), 35 O.S.C.B. 10071, as amended)

Background

The Ontario Securities Commission (the "Commission" or the "OSC") is issuing the following practice guideline on the use of the French language in adjudicative proceedings (the "Practice Guideline"). The adopted Practice Guideline is consistent with the *French Language Services Act*, R.S.O. 1990, c. F.32, (the "*FLSA*") guarantee to every person of the right to communicate with and to receive all services in French from the Government of Ontario, its ministries and agencies, and the right to full and equal access to administrative justice services.

The Practice Guideline was developed in accordance with the *Ontario Securities Commission Rules of Procedure* (2012), 35 O.S.C.B. 10071 (the "*OSC Rules of Procedure*"), the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22 (the "*SPPA*") and the *FLSA*.

The Practice Guideline applies to all proceedings before the Commission where the Commission is required under the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "*Securities Act*") and the *Commodity Futures Act*, R.S.O. 1990, c. C.20, or otherwise by law, to hold a hearing or to afford to the parties to the proceeding an opportunity for a hearing before making a decision. The Practice Guideline is issued pursuant to Rule 1.3 of the *OSC Rules of Procedure*.

The Commission therefore issues the following Practice Guideline which will apply immediately to all proceedings before the Commission, including proceedings commenced by a Notice of Hearing issued prior to the issuance of the Practice Guideline.

1. Definitions – In the Practice Guideline:

"hearing" means a hearing in any proceeding as defined in subsection 1(1) of the SPPA and includes hearings for the purpose of applications, motions, pre-hearing conferences, settlement conferences and settlement hearings, as governed by rules 2, 3, 6, and 12 of the *OSC Rules of Procedure*, respectively;

"intervenor" means a person who has applied to intervene pursuant to the *OSC Rules of Procedure* and who has been granted intervenor status by order of a Panel;

"language of the proceeding" means English, French or both English and French, as the case may be;

"linguistic assistance" includes consecutive and simultaneous interpretation or translation services;

"Panel" means a quorum of at least 2 members of the Commission pursuant to subsection 3(11) of the *Securities Act* or a single member of the Commission authorized by order of the Commission pursuant to subsection 3.5(3) of the Securities Act;

"party" may include:

(a) a person recognized as a party by the *Securities Act*;

(b) a person entitled by law to be a party to the proceeding;

(c) a person granted party status by order of a Panel; and

(d) Staff.

2. Language of the Proceeding

2.1. Proceedings before the Commission may be held in English or in French or in both English and French.

2.2. A party or intervenor requesting a proceeding to be conducted in French or in both English and French must notify the Secretary's Office in writing of their choice as soon as possible, and in any event, at least thirty (30) days before a hearing.

2.3. The Commission's *Rules of Procedure* and accompanying *Practice Guideline* will be available in English and French.

2.4. Upon request that a proceeding be conducted wholly or partly in French under guideline 2.2 above, Enforcement Staff of the Commission shall serve and file, as soon as possible, the Statement of Allegations or other originating documentation, if any, in French.

3. Communications with the Commission

3.1. The Commission will communicate and provide all of its correspondence, orders and decisions in the language of the proceeding as requested by the parties.

3.2. Parties or intervenors may change the language of their correspondence with the Commission by notifying the Secretary's Office in writing.

3.3. If the parties or intervenors communicate with the Commission in different languages (i.e. one party uses French and the other party uses English), Commission correspondence will be provided in both languages or will be translated.

4. Hearings

4.1. Parties to a proceeding have the right to receive notice of the hearing in either English or French upon request.

4.2. Parties, intervenors, witnesses and counsel participating in a hearing may choose to be heard in English or in French and must notify the Secretary's Office in writing of their choice as soon as possible, and in any event, at least thirty (30) days before the hearing.

4.3. Parties or intervenors may submit evidence or written submissions either in English or in French. These documents will form part of the record in the language in which they are submitted.

5. Presiding Member or Panel

5.1. A party or intervenor requesting a hearing to be conducted wholly or partly in French may request that the Commission assign a Panel that speak English and French.

5.2. A request for a member or Panel who speaks English and French must be made to the Secretary's Office of their choice as soon as possible, and in any event, at least thirty (30) days before the hearing.

6. Translation and Linguistic Assistance

6.1. Where a party, witness or intervenor requests linguistic assistance of an interpreter for translation into French or English during a hearing, he or she must notify the Secretary's Office of their choice as soon as possible, and in any event, at least thirty (30) days before the hearing.

6.2. The Commission will provide linguistic assistance into French or English through an interpreter who is qualified, independent of the parties and such interpreter shall swear or affirm that he/she will interpret accurately.

6.3. The Commission has no obligation to translate documentary evidence into French or English. However, the Commission may provide translation of documentary evidence into English or French if a party or intervenor requests it and the Panel considers it necessary for the fair determination of the matter.

6.4. The Commission has no obligation to translate hearing transcripts. However, the Commission may, at its discretion, provide English or French translation of hearing transcripts.

7. Decisions

7.1. Commission decisions will be issued in the language of the hearing.

7.2. Where the parties or intervenors have participated in both English and French during a hearing, the Commission's decision will be issued in both languages.

5.1.2 Ontario Securities Commission Rules of Procedure (Amendment and Consolidation as of April 8, 2014)

ONTARIO SECURITIES COMMISSION RULES OF PROCEDURE
(Amendment and Consolidation as of April 8, 2014)

Made under the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22

TABLE OF CONTENTS

ONTARIO SECURITIES COMMISSION RULES OF PROCEDURE

Made under the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended

GENERAL RULES

Rule 1 – General
(See also the SPPA.)

1.1 Interpretation – In these Rules:

"Act" means the *Securities Act*, R.S.O. 1990, c. S.5, as amended;

"address" includes a valid address for electronic transmission;

"application" includes an application:

(a) by Staff pursuant to section 127 of the Act;

(b) for review of a decision of the Director pursuant to section 8 of the Act;

(c) for review of a decision of a stock exchange, a self-regulatory organization, a quotation and trade reporting system or a clearing agency pursuant to section 21.7 of the Act;

(d) for a further decision pursuant to subsection 9(6) of the Act;

(e) for a revocation or a variation of a decision pursuant to section 144 of the Act;

(f) pursuant to section 104 and/or section 127 of the Act in connection with take-over bids, issuer bids and mergers and acquisitions transactions; and

(g) for an order authorizing disclosure pursuant to section 17 of the Act.

"Bulletin" means the Commission Bulletin;

"Commission" means the Ontario Securities Commission;

"company" means a company as defined in subsection 1(1) of the Act;

"decision" means a decision as defined in subsection 1(1) of the Act;

"Director" means a Director as defined in subsection 1(1) of the Act;

"electronic hearing" means an electronic hearing as defined in subsection 1(1) of the SPPA;

"electronic transmission" means transmission by facsimile or electronic mail (e-mail);

"file" means to file with the Office of the Secretary to the Commission in accordance with Rule 1.5.4;

"holiday" means:

(a) any Saturday or Sunday,

(b) New Year's Day,

(c) Family Day,

(d) Good Friday,

(e) Easter Monday,

(f) Victoria Day,

(g) Canada Day,

(h) Civic Holiday,

(i) Labour Day,

(j) Thanksgiving Day,

(k) Remembrance Day,

(l) Christmas Day,

(m) Boxing Day,

(n) any special holiday proclaimed by the Governor General or the Lieutenant Governor, and

(o) where New Year's Day, Canada Day or Remembrance Day falls on a Saturday or Sunday, the following Monday is a holiday, where Christmas Day falls on a Saturday or Sunday, the following Monday and Tuesday are holidays, and where Christmas Day falls on a Friday, the following Monday is a holiday;

"intervenor" means a person who has applied to intervene pursuant to the Rules and who has been granted intervenor status by order of a Panel;

"oral hearing" means an oral hearing as defined in subsection 1(1) of the SPPA;

"Panel" means a quorum of at least 2 members of the Commission pursuant to subsection 3(11) of the Act or a single member of the Commission authorized by order of the Commission pursuant to subsection 3.5(3) of the Act;

"party" may include:

(a) a person recognized as a party by the Act;

(b) a person entitled by law to be a party to the proceeding;

(c) a person granted party status by order of a Panel; and

(d) Staff;

"person" means a person as defined in subsection 1(1) of the Act, and where applicable, includes a company as defined in subsection 1(1) of the Act;

"representative" means, in respect of a proceeding to which the Rules apply, a person authorized under the *Law Society Act*, R.S.O. 1990, c. L.8, as amended, to represent a person in a proceeding;

"Rules" means the *Ontario Securities Commission Rules of Procedure*;

"Secretary" means the Secretary to the Commission appointed pursuant to section 7 of the Act;

"service" means the delivery of a document to a party in accordance with the Rules;

"SPPA" means the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended;

"Staff" means Staff of the Commission;

"Website" means the Commission's Website; and

"written hearing" means a hearing conducted in writing as defined in subsection 1(1) of the SPPA.

1.2 General Principles – (1) Unless otherwise provided in the Rules, the Rules apply to all proceedings before a Panel where the Commission is authorized under the Act or the *Commodity Futures Act*, R.S.O. 1990, c. C.20, as amended, or otherwise by law to hold a hearing.

(2) Except where otherwise specifically provided in the SPPA, if there is a conflict between the SPPA and the Rules, the SPPA shall prevail over the Rules.

(3) The Rules shall be construed to secure the most expeditious and least expensive determination of every proceeding before the Commission on its merits, consistent with the requirements of natural justice.

(4) Effect of Irregularity in Form – No proceeding, document or order in a proceeding is invalid by reason of a defect or other irregularity in form.

1.3 General Powers of a Panel under the Rules – (1) The Commission may, from time to time, issue procedural directions or practice guidelines with respect to the application of the Rules as may be appropriate. The Commission shall give notice of these procedural directions or practice guidelines by issuing a notice from the Office of the Secretary, which shall be posted on the Website and published in the Bulletin.

1.4 Procedural Directions or Orders by a Panel – (1) A Panel may exercise any of its powers under the Rules on its own initiative or at the request of a party.

(2) A Panel may issue procedural directions or orders with respect to the application of the Rules in respect of any proceeding before it, and may impose any conditions in the direction or order as it considers appropriate.

(3) A Panel may waive or vary any of the Rules in respect of any proceeding before it, if it is of the opinion that to do so would be in the public interest or that it would otherwise be advisable to secure the just and expeditious determination of the matters in issue.

(4) In considering a request to waive or vary any of the Rules or to hold a hearing on an expedited basis, a Panel may consider factors including:

(a) the nature of the matters in issue;

(b) whether adherence to the time periods set out in the Rules would be likely to cause undue delay or prejudice to any of the parties;

(c) costs; and

(d) any other factors a Panel considers relevant in the public interest.

(5) When granting a request for an expedited hearing, a Panel may, as a condition, require that the parties file documents electronically.

1.5 Service and Filing

1.5.1 Service of Documents on Parties – (1) All documents required to be served under the Rules shall be served by one of the following methods:

(a) by personal delivery to the party;

(b) by delivery to the representative of the party;

(c) by delivery to an adult person at the premises where the party resides, is employed or carries on business, or where the representative of the party carries on business;

(d) by delivery to a company, by leaving a copy with an officer, director or agent of the company, or a person at any place of business of the company who appears to be in control or management of the place of business;

(e) by regular, registered or certified mail to the last known address of the party or the representative of the party;

(f) electronically to the facsimile number or e-mail address of the party or the representative of the party;

(g) by courier to the last known address of the party or the representative of the party; or

(h) by any other means authorized by a Panel.

(2) Date on Which Service is Effective – Service is deemed to be effective, when delivered:

(a) by personal delivery, on the day of delivery;

(b) by mail, on the fifth day after the day of mailing;

(c) electronically, on the same day;

(d) by courier, on the earlier of the date on the delivery receipt or the second day after it was sent; or

(e) by any other means authorized by a Panel, on the date specified by the Panel.

(3) Service After 4:30 p.m. – Documents served after 4:30 p.m. shall be deemed to have been served on the next day that is not a holiday.

1.5.2 Information on Documents Served or Filed – (1) A person who serves or files a document should include with it the following information:

(a) the person's name, address, telephone number, facsimile number and e-mail address, as applicable; or

(b) if the person is represented by a representative, the name, address, telephone number, facsimile number and e-mail address of the representative, as applicable; and

(c) the name of the proceeding to which the document relates; and

(d) the name of the person or representative being served.

(2) If any information referred to in subrule 1.5.2(1) changes, the person who provided the information shall notify the person to whom the information was provided and the Secretary of the change and any new information.

1.5.3 Inability to Effect Service – (1) If a person required to serve a document is unable to serve it by one of the methods described in Rule 1.5.1, the person may apply to a Panel for an order for substituted, validated or waived service.

(2) Application for an Order for Substituted, Validated or Waived Service – The application shall be filed with an affidavit setting out the efforts already made to serve the person and stating:

(a) why the proposed method of substituted service is likely to be successful; or

(b) why a Panel should validate or waive service on that person.

(3) Substituted, Validated or Waived Service – A Panel may give directions for substituted service or, where necessary, may validate or waive service if it considers it appropriate.

1.5.4 Filing – (1) A document required under the Rules to be filed shall be filed by personal delivery, mail, facsimile transmission or courier to the offices of the Commission, marked to the attention of the Secretary, or, alternatively if the Secretary consents, by e-mail to the Secretary.

(2) The filing of a document with the Secretary pursuant to these Rules does not constitute service of the document on any party to the proceeding, including Staff or any other person.

(3) Unless otherwise specified in the Rules or otherwise directed by the Secretary, when a document is filed, 5 copies shall be filed. The Secretary may require that a greater number of copies be filed.

(4) Filing After 4:30 p.m. – Documents filed after 4:30 p.m. shall be deemed to have been filed on the next day that is not a holiday.

1.5.5 Binding of Documents – (1) A record for a motion and an application should have a light blue backsheet.

(2) A factum or case book filed by an applicant or a moving party should be bound front and back in white covers. A factum or case book of a respondent or responding party should be bound front and back in green covers.

1.5.6 Electronic Transmission – If a document is filed with the Secretary by electronic transmission, the required number of print copies of the document shall be filed forthwith.

1.5.7 Lengthy Facsimile Transmissions – Documents filed by facsimile transmission shall not exceed 25 pages, including the cover sheet, except with the consent of the Secretary.

1.5.8 Requirement to File Electronically – The Secretary may require a party to file an electronic version of any or all documents.

1.6 Time – (1) When computing time under the Rules, except where a contrary intention appears:

(a) if there is a reference to a number of days between 2 events, they are counted by excluding the day on which the first event occurs and including the day on which the second event occurs;

(b) if a period of less than 7 days is prescribed, holidays are not counted; and

(c) if the time for doing an act under the Rules expires on a holiday, the act may be done on the next day that is not a holiday.

(2) Extension or Abridgement – A Panel may extend or abridge any time period prescribed under the Rules, before or after the time period expires and on any conditions that the Panel considers advisable. Prior to the commencement of a hearing, a Panel may authorize the Secretary to extend or abridge any time period under the Rules with respect to a hearing.

1.7 Parties

1.7.1 Appearance and Representation – In any proceeding a party may be self-represented or may be represented by a representative.

1.7.2 Self-Representation – (1) When a party first appears before a Panel in a proceeding, the party shall file or otherwise state on the record, and keep current during the proceeding, the party's address, telephone number, facsimile number and e-mail address, as applicable.

(2) Representation by a Representative – When a person first appears as representative for a party in a proceeding before a Panel, the person shall file or otherwise state on the record, and keep current during the proceeding, the person's address, telephone number, facsimile number and e-mail address, as applicable, and the name and address of the party being represented.

1.7.3 Change in Representation by a Party – (1) A party who is represented by a representative may change the representative by serving on the representative and on every other party, and filing a notice of the change, giving the name, address, telephone number, facsimile number and e-mail address of the new representative, as applicable.

(2) A party who is represented by a representative may elect to act in person by serving on the representative and on every other party and filing a notice of the intention to act in person, giving the party's address, telephone number, facsimile number and e-mail address, as applicable.

1.7.4. Withdrawal by a Representative – (1) A representative for a party in a proceeding may withdraw as representative for the party only with leave of the Panel.

(2) A notice of motion seeking leave to withdraw as representative must be served on the party and filed, and must state all facts material to a determination of the motion, including a statement of the reasons why leave should be given. The notice must not disclose any solicitor client communication in which solicitor client privilege has not been waived.

(3) The notice of motion shall include:

(a) the client's last known address or the address for service, if different; and

(b) the client's telephone number, facsimile number and e-mail address, as applicable, unless the Panel orders otherwise.

1.8 Intervenors

1.8.1 Motion for Leave to Intervene – (1) A motion for leave to intervene in a proceeding shall be made pursuant to Rule 3.

(2) A motion for leave to intervene shall set out:

(a) the title of the proceeding in which the person making the request wishes to intervene;

(b) the name and address of the person making the request;

(c) a concise statement of the scope of the proposed intervention, the issue that directly affects that person and the extent to which that person wishes to intervene; and

(d) the reasons why intervenor status should be granted.

(3) A Panel may grant leave to intervene or refuse the request on any terms and conditions that it deems appropriate.

(4) Factors – In considering a motion for leave to intervene, a Panel may consider factors such as:

(a) the nature of the matter;

(b) the issues;

(c) whether the person or company is directly affected;

(d) the likelihood that the person or company will be able to make a useful and unique contribution to the Panel's understanding of the issues;

(e) any delay or prejudice to the parties; and

(f) any other factor the Panel considers relevant.

1.8.2 Application of the Rules – Once a person has been granted intervenor status, the Rules, including those with respect to the service and filing of documents, apply to the intervenor as if it were a party, subject to the order of a Panel.

COMMENCEMENT OF PROCEEDINGS

Rule 2 – Application and Notice of Hearing

2.1 Application by Staff – (1) Subject to Rule 2.4, an application by Staff pursuant to section 127 of the Act shall be made by filing a Statement of Allegations.

(2) Issuance and Service of a Notice of Hearing – Once a Statement of Allegations has been filed by Staff, the Secretary shall issue a Notice of Hearing forthwith.

(3) Staff shall serve the Statement of Allegations and the Notice of Hearing forthwith on all the parties.

2.2 Application for Review of a Decision of the Director, a Stock Exchange, a Self-Regulatory Organization or a Clearing Agency – (1) An application for review of a decision of the Director, a stock exchange, a self-regulatory organization or a clearing agency pursuant to section 8 or 21.7 of the Act shall be made in accordance with Rule 14.

(2) Issuance of a Notice of Hearing – In the case of an application referred to in subrule 2.2(1), the Secretary shall issue a Notice of Hearing only after all the documents required to be filed and served pursuant to Rule 14 have been filed and served.

(3) The Secretary shall issue the Notice of Hearing and the applicant shall serve it on all the parties and on any other persons as the Secretary considers necessary.

2.3 Application for a Further Decision pursuant to Subsection 9(6) of the Act or for a Revocation or Variation of a Decision pursuant to Section 144 of the Act – (1) An application for a further decision pursuant to subsection 9(6) of the Act or an application pursuant to section 144 of the Act for a revocation or a variation of a decision made by a Panel shall be made in accordance with Rule 15.

(2) In the case of an application referred to in subrule 2.3(1), the Secretary shall issue a Notice of Hearing only after all the documents required to be filed and served pursuant to Rule 15 have been filed and served.

(3) The applicant shall serve the Notice of Hearing on all the parties and on any other persons as the Secretary considers necessary.

2.4 Application pursuant to Section 104 and/or Section 127 of the Act – (1) An application made pursuant to section 104 of the Act in connection with a take-over bid or an issuer bid by an interested person as defined in subsection 89(1) of the Act, or an application pursuant to section 127 of the Act in connection with a take-over bid or an issuer bid, shall be made in accordance with Rule 16, with any modifications as the circumstances require.

(2) Issuance of a Notice of Hearing – The Secretary shall issue a Notice of Hearing for an application referred to in subrule 2.4(1) only after all the documents required to be filed and served pursuant to Rule 16 have been filed and served.

(3) The applicant shall serve the Notice of Hearing on all the parties and on any other persons or companies as the Secretary considers necessary.

2.5 Effect of a Notice of Hearing – (1) A proceeding commences upon the issuance of a Notice of Hearing by the Secretary.

(2) Publication on the Website and in the Bulletin – A Notice of Hearing, together with the Statement of Allegations or any other document required to be filed in connection with an application under Rule 2, shall be posted on the Website upon confirmation of service on the parties or, in any event, no later than 2 days following the issuance of the Notice of Hearing, and shall be published as soon as possible in the Bulletin.

2.6 Request for a Written Hearing – Any request to have an application heard by way of a written hearing pursuant to Rule 11 shall be specified in the application.

2.7 Notice of a Constitutional Question – If a party intends to raise a question about the constitutional validity or applicability of legislation, a regulation or a by-law made under legislation, or a common law rule, the party shall serve a notice of the constitutional question on the Attorneys General of Canada and Ontario and on the other parties, and file it as soon as the circumstances requiring a notice become known and in any event, at least 15 days before the question is to be argued.

PROCEDURES BEFORE HEARINGS

Rule 3 – Motions

3.1 Time and Date – A person who wishes to make a motion shall contact the Secretary, who may set a time and date for the hearing of the motion by a Panel.

3.2 Notice – (1) A motion shall be made by filing a notice of motion accompanied by a motion record, including any affidavit(s) setting out the facts to be relied upon.

(2) The person making the motion shall serve the motion on each party and file the motion, at least 10 days before the day on which the motion is to be heard.

3.3 Request for a Written Hearing – Any request to have a motion heard by way of a written hearing pursuant to Rule 11 shall be specified in the notice of motion.

3.4 Response – (1) A party served with a notice of motion may serve on the person making the motion and on each other party an affidavit(s) in response, at least 6 days before the day on which the motion is to be heard.

(2) The party serving any affidavit(s) in response shall file the affidavit(s) in response, within the period set out in subrule 3.4(1).

3.5 Reply – (1) A party served with any affidavit(s) in response to a motion may serve on the person making the response and on each other party an affidavit(s) in reply, at least 4 days before the day on which the motion is to be heard.

(2) The party serving any affidavit(s) in reply shall file the affidavit(s) in reply, within the period set out in subrule 3.5(1).

3.6 Memorandum of Fact and Law – (1) The party making the motion shall serve a memorandum of fact and law on each party and file it, at least 4 days before the day on which the motion is to be heard.

(2) A party served with a notice of motion and affidavit(s) shall serve a memorandum of fact and law on each party and file it, at least 2 days before the day on which the motion is to be heard.

3.7 Affidavit(s) – (1) Subject to subrule 3.7(2), evidence on a motion may be made by affidavit(s).

(2) Where a party files an affidavit in respect of a motion, the party shall make the deponent reasonably available for cross-examination by any adverse party.

(3) If the circumstances require, the Panel may, before the hearing, grant leave on any terms and conditions that it deems appropriate for:

(a) oral testimony in relation to an issue raised in the notice of motion; and

(b) the cross-examination of a deponent to an affidavit.

3.8 Where No Notice Required – The Panel may permit a party to make a motion without notice if:

(a) the nature of the motion or the circumstances render service of a notice of motion impractical or unnecessary; or

(b) the delay necessary to effect service might entail serious consequences.

3.9 Filing Motion Materials – If the party bringing a motion fails to comply with the time limits for the filing of motion materials set out in the Rules or directed by the Secretary, the Panel may dispose of the motion as it considers appropriate.

Rule 4 – Disclosure
(See also sections 5.4 and 8 of the SPPA and Part VI of the Act.)

4.1 Interpretation – (1) In Rule 4, "document" includes a sound recording, video-tape, film, photograph, chart, graph, map, plan, survey, book of account, and information recorded or stored by means of any device.

(2) "Particulars" includes:

(a) the grounds upon which any remedy or order is being sought or opposed in the proceeding; and

(b) a general statement of the alleged material facts upon which the party relies in the proceeding.

4.2 Disclosure Order – At any stage in a proceeding, the Panel may order that a party:

(a) provide to another party and to the Panel any particulars that the Panel considers necessary for a full and satisfactory understanding of the subject of the proceeding; and

(b) make any other disclosure required by this Rule, within the time limits and on any conditions that the Panel may specify.

4.3 Disclosure of Documents or Things – (1) Requirement to Disclose –

Each party to a proceeding shall deliver to every other party copies of all documents that the party intends to produce or enter as evidence at the hearing, as soon as is reasonably practicable after the Notice of Hearing is served, and in any case, at least 20 days before the commencement of the hearing on the merits or as determined by a Panel as the circumstances require.

(2) In the case of a hearing under section 127 of the Act and subject to Rule 4.7, Staff shall make available for inspection by every other party all other documents and things that are in the possession or control of Staff that are relevant to the hearing. Staff shall provide copies, or permit the inspecting party to make copies, of these documents at the inspecting party's expense, as soon as is reasonably practicable after the Notice of Hearing is served, and in any case at least 20 days before the commencement of the hearing.

(3) Non-disclosure of a Document or Thing – A party who does not disclose a document or thing in compliance with subrule 4.3(1) may not refer to the document or thing or introduce it in evidence at the hearing without leave of the Panel, which may be on any conditions that the Panel considers just.

4.4 Disclosure Where Section 8 of the SPPA Applies – Subject to Rule 4.7, if the good character, propriety of conduct or competence of a party is an issue in a proceeding, Staff shall provide particulars of the allegations and disclose to the party against whom the allegations are made all documents and things in Staff's possession or control relevant to the allegations, as soon as is reasonably practicable after the Notice of Hearing is served, and in any case at least 20 days before the commencement of the hearing on the merits.

4.5 Witness Lists and Summaries – (1) Provision of a Witness List – A party to a proceeding shall serve every other party and file with the Secretary a list of the witnesses the party intends to call to testify on the party's behalf at the hearing, at least 10 days before the commencement of the hearing.

(2) Provision of Witness Summaries – If material matters to which a witness is to testify have not otherwise been disclosed, a party to a proceeding shall provide to every other party a summary of the evidence that the witness is expected to give at the hearing, at least 10 days before the commencement of the hearing.

(3) Content of the Witness Summary – A witness summary shall contain:

(a) the substance of the evidence of the witness;

(b) reference to any documents that the witness will refer to; and

(c) the witness's name and address or, if the witness's address is not provided, the name and address of a person through whom the witness can be contacted.

(4) Failure to Provide a Witness List or a Summary – A party who does not include a witness in the witness list or provide a summary of the evidence a witness is expected to give in accordance with subrules 4.5(1), 4.5(2) and 4.5(3), may not call that person as a witness without leave of the Panel, which may be on any conditions as the Panel considers just.

(5) Incomplete Witness Summary – A witness may not testify to material matters that were not previously disclosed without leave of the Panel, which may be on any conditions that the Panel considers just.

4.6 Expert Witness – (1) Intent to Call an Expert – A party who intends to call an expert to give evidence at a hearing shall inform the other parties of the intent to call the expert and state the issue on which the expert will be giving evidence, at least 90 days before the commencement of the hearing.

(2) Provision of an Expert's Affidavit or an Expert's Report – A party who intends to introduce evidence of an expert witness at the hearing shall either:

(a) serve the expert's report on each other party at least 60 days before the commencement of the hearing; or

(b) if granted leave by a Panel, serve an affidavit of the expert witness on each other party, at least 60 days before the commencement of the hearing. Where an affidavit of an expert witness is used, and the deponent is cross-examined prior to the hearing, the Panel reserves the right to call the expert to testify at the hearing if necessary.

(3) Provision of an Expert's Affidavit or an Expert's Report in Response – A party on whom an expert's affidavit or expert's report referred to in subrule 4.6(2) has been served and who wishes to respond with expert evidence to a matter set out in the affidavit or report, shall serve an expert's affidavit or expert's report in response on each other party, at least 30 days before the commencement of the hearing.

(4) Provision of an Expert's Affidavit or an Expert's Report in Reply – A party on whom a responding expert's affidavit or responding expert's report has been served and who wishes to reply with expert evidence to a matter set out in that affidavit or report, shall serve an expert's affidavit or expert's report in reply on each other party, at least 15 days before the commencement of the hearing.

(5) An affidavit or report referred to in subrules 4.6(2), 4.6(3) and 4.6(4) shall include:

(a) the name, address and qualifications of the expert;

(b) the substance of the expert's evidence; and

(c) a list of any documents that the expert will refer to.

(6) Failure to Advise of Intent to Call an Expert – A party who fails to comply with subrule 4.6(1) may not call the expert as a witness without leave of the Panel, which may be on any conditions that the Panel considers just.

(7) Failure to Provide an Expert's Affidavit or Expert's Report– A party who fails to comply with subrules 4.6(2), 4.6(3) and 4.6(4) may not file the expert's affidavit or report without leave of the Panel, which may be on any conditions that the Panel considers just.

4.7 Request to Issue a Summons – (1) At the request of a party, a summons to a witness may be issued pursuant to section 12 of the SPPA.

(2) The issuance of or a refusal to issue a summons may be reviewed by a Panel by motion filed in accordance with Rule 3.

(3) Once a summons is served, it is effective for the duration of the hearing as long as the witness is advised of the adjourned dates.

Rule 5 – Public Access to Documents

5.1 Public Documents – Subject to Rule 5.2 and subrule 10.9(3), documents required to be filed or received in evidence in proceedings shall be available to the public.

5.2. Request Regarding Confidentiality – (1) At the request of a party or person, the Panel may order that any document filed with the Secretary or any document received in evidence or transcript of the proceeding be kept confidential pursuant to section 9 of the SPPA.

(2) A party or person who makes a request pursuant to subrule 5.2(1) shall advise the Panel of the reasons for the request.

(3) The Panel may, if it is of the opinion that there are valid reasons for restricting access to a document, declare the document confidential and make such other orders as it deems appropriate.

Rule 6 – Pre-Hearing Conferences
(See also section 5.3 of the SPPA.)

6.1 Requesting a Pre-Hearing Conference – (1) A Panel may direct the parties in a proceeding to participate in a pre-hearing conference at any stage of the proceeding.

(2) Any party may request a pre-hearing conference by filing a request.

6.2 Issues at a Pre-Hearing Conference – At a pre-hearing conference, a Panel may:

(a) create a timetable for the scheduling of a hearing;

(b) create a timetable for any pre-hearing matters, including the disclosure of documents or things and the delivery of witness lists and summaries and experts' affidavits or reports;

(c) amend an existing timetable;

(d) schedule any preliminary motions;

(e) consider with the parties:

(i) agreed upon facts or evidence; and

(ii) the resolution of any or all of the allegations in the proceeding, subject to Rule 6.8;

(f) make procedural orders with respect to:

(i) the simplification or clarification of issues in the proceeding;

(ii) the disclosure of documents or things; and

(iii) any other matter that may assist in the just and most expeditious disposition of the proceeding.

6.3 Notice – (1) The Secretary shall give notice of a pre-hearing conference to the parties and to any other persons as the Panel directs.

(2) The notice shall include:

(a) the date, time, place and purpose of the pre-hearing conference;

(b) any direction of the Panel regarding the exchange or filing of documents or pre-hearing submissions as prescribed by Rule 6.4 and, if so, the issues to be addressed and the date or dates on or before which the documents or pre-hearing submissions must be exchanged and filed;

(c) a direction as to whether parties are required to attend in person and,

(i) if so, that they may be accompanied by a representative; or

(ii) if not, that they may be represented by a representative who has the authority to make agreements and undertakings on their behalf;

(d) a statement that if a party does not attend (in person or by a representative, as required) at the pre-hearing conference, the Panel may proceed in the absence of that party; and

(e) a statement that any order made by the Panel at the pre-hearing conference will be binding on all the parties.

6.4 Filing and Exchange of Documents for a Pre-Hearing Conference – The parties shall serve and file a pre-hearing conference form (see Appendix A of the Rules). All documents intended to be used at the pre-hearing conference that may be of assistance shall be exchanged among the parties and be made available to the Panel.

6.5 Oral or Electronic – A pre-hearing conference may be held in person or by way of an electronic hearing, as the Panel may direct.

6.6 Public Access – (1) In order to encourage a full and frank exchange of views, a pre-hearing conference shall be confidential and conducted in camera.

(2) Any pre-hearing submissions referred to in Rule 6.4 shall not be made available to the public.

6.7 Orders – A Panel that presides at a pre-hearing conference may make such order as it considers necessary or advisable with respect to the conduct of the proceeding, including an order relating to the matters set out in subrule 6.2(f).

6.8 Disqualification – A Panel that presides at a pre-hearing conference at which the parties attempt to settle any or all of the allegations, as contemplated in subrule 6.2(e)(ii), shall not preside at the hearing on the merits unless the parties consent.

HEARINGS

Rule 7 – Failure to Participate at the Hearing and Withdrawal
(See also sections 6 and 7 of the SPPA.)

7.1 Failure to Participate – If a Notice of Hearing has been served on any party and the party does not attend the hearing, the Panel may proceed in the party's absence and that party is not entitled to any further notice in the proceeding.

7.2 Withdrawal – (1) A person or company that has filed an application under Rule 2 or a request for leave to intervene under Rule 1.8.1 may withdraw the application or request at any time before a final determination of the application or request by a Panel.

(2) The person or company referred to in subrule 7.2(1) shall serve a notice of withdrawal on each party and on each intervenor and file the notice.

(3) In the case of a withdrawal of a Statement of Allegations or of an application under Rule 2, the notice of withdrawal shall be posted on the Website and published in the Bulletin.

7.3 Discontinuance of Intervention – (1) An intervenor may discontinue the intervention at any time before a final determination of the application by the Panel on any terms that the Panel deems appropriate.

(2) The intervenor referred to in subrule 7.3(1) shall serve a notice of discontinuance on each party and on each intervenor and file the notice.

Rule 8 – Public Access to Hearings

8.1 Open to the Public Except under Certain Conditions – Subject to Rule 8.2, a hearing shall be open to the public, except when having regard to the circumstances, the Panel is of the opinion that intimate financial, personal or other matters may be disclosed at the hearing and that the desirability of avoiding that disclosure in the interests of any person affected or in the public interest outweighs the desirability of adhering to the principle that hearings be open to the public pursuant to section 9 of the SPPA.

8.2 In Camera Hearing – If a party wishes to have a hearing held in camera, the party shall make a request at the commencement of the hearing before the Panel pursuant to section 9 of the SPPA. The Panel will make a decision on whether or not to hold the hearing or a portion of the hearing in camera, based on the facts and circumstances of each case.

8.3 Request to Make a Visual or Audio Recording – (1) Any request to make a visual or audio recording of a hearing should be made in writing to the Secretary at least 5 days before the day of the hearing on which the audio or visual recording is to be made.

(2) Media personnel or any person permitted to make a visual or audio recording under subrule 8.3(1) will be subject to the direction of the chair of the Panel.

(3) Media personnel shall not engage in any activity at the hearing that may disrupt the hearing. Disruptive activities include:

(a) interviewing persons in the hearing room at any time or in the vicinity of the hearing room;

(b) television lights, cables and other equipment which, when in use, could distract the persons in the hearing room;

(c) electronic flash for still photography;

(d) movement of persons or equipment while the hearing is in session; and

(e) any other behaviour that disrupts or detracts from the process of the hearing.

Rule 9 – Adjournments

9.1 How and When to Request an Adjournment – (1) As soon as a party decides to request an adjournment, the party shall advise the other parties and the Secretary.

(2) With Consent – If the other parties consent to the adjournment and the requesting party files a written request certifying that it is made on consent, the Panel may:

(a) refuse the request;

(b) reschedule the hearing without a hearing on the request; or

(c) require a hearing on the request.

(3) Without Consent – If the parties do not consent to a request for adjournment, the requesting party shall serve and file a notice of motion on the other parties as soon as possible. The notice of motion shall set out:

(a) the reasons for the adjournment;

(b) the length of time requested for the adjournment; and

(c) the earliest available dates for that party to make submissions on the motion.

(4) If the parties do not consent, the requesting party and/or the party's representative shall appear before the Panel to request the adjournment orally and shall be prepared to proceed if the adjournment is denied.

(5) After considering the submissions of the parties, the Panel may grant or deny the adjournment on any terms that it considers appropriate.

9.2 Factors Considered – In deciding whether to grant an adjournment, the Panel shall consider all relevant factors, including, but not restricted to, the following:

(a) whether an adjournment would be in the public interest;

(b) whether all parties consent to the request;

(c) whether granting or denying the adjournment would prejudice any party;

(d) the amount of notice of the hearing date that the requesting party received;

(e) the number of any previous adjournment requests made and by whom;

(f) the reasons provided to support the adjournment request;

(g) the cost to the Commission and to the other parties for rescheduling the hearing;

(h) evidence that the party made reasonable efforts to avoid the need for the adjournment; and

(i) whether the adjournment is necessary to provide an opportunity for a fair hearing.

Rule 10 – Conduct of Oral Hearings
(See also the French Language Services Act and sections 5.2 and 15 of the SPPA.)

10.1 Oral Hearings – An oral hearing shall be conducted in accordance with the provisions set out in the SPPA.

10.2 Electronic Hearings – A hearing may be conducted by way of an electronic hearing, unless a party objects as provided by subsection 5.2(2) of the SPPA.

10.3 Video-Conferencing – A hearing may be conducted by video-conferencing or by other similar means approved by the Secretary.

10.4 Hearings Conducted in French and English – (1) A hearing may be conducted in English or in French or in both English and French.

(2) A party or intervenor requesting a proceeding to be conducted in French or in both English and French must notify the Secretary's Office in writing of their choice as soon as possible, and in any event, at least thirty (30) days before a hearing.

(3) Hearings held in French or in both English and French are conducted in accordance with the Commission's Practice Guideline for French Hearings.

10.5 Interpreters for Other Languages – If a party requires an interpreter for a language other than English or French, the party shall notify the Secretary as soon as possible, and in any event, at least 30 days before the hearing, and the Secretary will arrange for an interpreter at the requesting party's expense.

10.6 Special Needs of Parties or Witnesses – Parties should notify the Secretary as soon as possible, and in any event at least 30 days before the hearing, of any special needs of parties or their witnesses for the hearing.

10.7 Affirmation of a Witness – Oral examination of witnesses shall be conducted under affirmation or oath that their evidence will be true.

10.8 Transcripts of Proceedings – Official transcripts of proceedings are prepared by a court reporting services agency retained by the Commission. Parties who wish to obtain a copy of the transcripts may do so directly from the court reporting services agency at their own expense.

10.9 Final Arguments and Submissions – (1) Except in the case of a written hearing where parties shall file final written submissions pursuant to Rule 11.6, a party may file and serve on every other party a factum consisting of a concise argument stating the facts and law relied upon by the party.

(2) Final submissions may include:

(a) facts or quotations from the oral evidence, referenced to the transcript volume and page number if a transcript is available; or

(b) facts or quotations from documentation filed as exhibits, referenced to the exhibit and page number; and

(c) a concise summary of the law.

(3) Final arguments and submissions shall not be made public until the commencement of the hearing of the submissions.

(4) A party referring to any court decision, legal article or authority shall provide a copy for each member of the Panel and each party.

(5) Parties may include in their argument the details of the specific order that they request.

(6) Any party may file a draft order within the time permitted by the Panel, but shall do so only if they serve a copy on all other parties.

Rule 11– Written Hearings
(See also subsections 5.1(1), 6(4), 7(2) and 9(1.1) of the SPPA.)

11.1 Application – (1) This Rule does not apply to the admissibility, at an oral hearing, of written evidence admissible under section 15 of the SPPA.

(2) Nothing in this Rule precludes a Panel from directing that further submissions be filed in respect of a matter arising in a hearing. If the Panel so directs, the parties may also be given an opportunity to make oral submissions on a matter, which may be time-limited by the Panel.

11.2 Filing – Where this Rule requires that documentation be filed with the Secretary, 5 copies shall be filed, except in the case of a notice of an objection to a written hearing which shall be filed in duplicate.

11.3 Definition of an Applicant – In this Rule, "applicant" means the party who instituted the proceeding or the person or company who is bringing a motion.

11.4 When to Hold a Written Hearing – (1) A Panel may conduct any proceeding or part of a proceeding, including motions, by means of a written hearing.

(2) Written hearings may be held in the following circumstances unless a party objects, as provided by subsection 5.1(2) of the SPPA:

(a) motions relating to procedural issues;

(b) hearings on agreed facts; and

(c) any other motions or applications that the Panel considers are appropriate for a written hearing.

11.5 Converting From or to a Written Hearing – (1) A Panel may:

(a) continue a written hearing as an oral hearing;

(b) subject to subsection 5.2(2) of the SPPA, continue a written hearing as an electronic hearing; or

(c) subject to subsection 5.1(2) of the SPPA, continue an oral hearing or an electronic hearing as a written hearing.

(2) If a Panel decides to continue a written hearing as an oral or electronic hearing or an oral or electronic hearing as a written hearing, it shall notify the parties of its decision and may provide directions as to the holding of that hearing. Any procedures set down in the Rules for such a hearing shall apply.

11.6 Submissions and Supporting Documents – (1) Within 10 days after receiving notice that a hearing will be in writing, the applicant shall serve on all other parties and file written submissions setting out:

(a) the grounds on which the request for the remedy or order is made;

(b) a statement of the facts and evidence relied on in support of the remedy or order requested; and

(c) any law relied on in support of the remedy or order requested.

(2) A Panel may require the applicant to provide further information, which the applicant shall serve on every other party.

11.7 Objection to a Written Hearing – (1) A party who objects to a hearing being held as a written hearing shall file and serve a notice of objection setting out the reasons for the objection, within 5 days after receiving notice of the written hearing.

(2) A notice of objection shall set out the reasons for the objection in the submissions relating to the matter and be accompanied by a statement of the facts, any evidence and any law relied on in support of the objection.

11.8 Response to an Objection – (1) If a party wishes to respond, the party shall do so by serving the written response on every other party and filing it within 7 days after the notice of objection has been served on the party.

(2) The response shall set out the party's submissions and be accompanied by a statement of the facts, any evidence and any law relied on in support of the response.

11.9 Decision – (1) Upon consideration of the written record, the Panel may render a decision as to whether the matter shall be heard at an oral or a written hearing.

Rule 12 – Settlement Agreements

12.1 Purpose of Settlement Conference – (1) The purpose of a settlement conference is to provide the parties with the opportunity, prior to proceeding to a hearing under this Rule to approve a settlement agreement, to make confidential submissions on a proposed settlement to a Panel in order to obtain guidance on whether the terms of the proposed settlement would, in the view of the Panel, be in the public interest.

(2) At least one settlement conference shall be held before a hearing to approve the settlement agreement.

12.2 Application for a Settlement Conference – (1) An application for a settlement conference shall be filed jointly by the parties to the proposed settlement no later than 5 days before the settlement conference.

(2) The application shall be accompanied by:

(a) the consent in writing of the parties to participate in the settlement conference;

(b) an agreement concerning the confidentiality of the settlement discussions and any document or thing presented at the settlement conference; and

(c) a draft of the proposed settlement agreement or a joint memorandum setting out the terms of the proposed settlement between the parties.

12.3 Notice of Settlement Conference – (1) The Secretary shall issue a Notice of Settlement Conference for an application referred to in subrule 12.2(1) only after all the documents required to be filed pursuant to subrule 12.2(2) have been filed.

(2) The Notice of Settlement Conference shall be issued only to the parties to the settlement conference and shall not be published or otherwise made available to the public.

12.4 Oral or Electronic – A settlement conference may be held in person or by way of electronic hearing, as the Panel may direct.

12.5 In Camera Proceeding – (1) The settlement conference shall be held in camera and no transcript or other record of the proceeding shall be made unless the parties to the settlement request otherwise, except that the Panel may make such record of the conference as it deems necessary for its own record and use.

(2) Rule 5.1 shall not apply to any document or thing filed under Rule 12.1 or presented at a settlement conference or any record made by the Panel pursuant to subrule 12.5(1), and any such document or thing shall be kept confidential pursuant to Rule 9 of the SPPA and shall not be made available to the public.

12.6 No Communication to Panel Hearing the Merits – In the event that the matter subject to the settlement conference proceeds to a hearing on the merits, the Panel presiding at the settlement conference shall not participate in the hearing on the merits and no communication made at the settlement conference shall be disclosed to the Panel hearing the matter on the merits.

12.7 Application for a Hearing to Approve the Settlement – (1) An application for a hearing to approve a settlement shall be filed jointly by the parties to the settlement no later than 2 days before the hearing.

(2) The application shall be accompanied by:

(a) a draft order;

(b) the respondent's consent to the order; and

(c) the settlement agreement signed by the settling parties.

12.8 Notice of Settlement Hearing – The Secretary shall issue a Notice of Hearing for an application referred to in subrule 12.7(1) only after all the documents required to be filed pursuant to subrule 12.7(2) have been filed.

12.9 Settlement Hearing Panel – The Panel presiding at the hearing to approve the settlement shall be one or more of the members of the Panel that presided at the settlement conference.

12.10 Public Settlement Hearing – (1) A hearing to approve an application under subrule 12.7(1) shall be open to the public.

(2) The Panel may issue oral or written reasons if it deems it appropriate to do so.

12.11 Publication of Settlement Agreement When Approved – The order approving the settlement agreement, the settlement agreement, and the Panel's reasons, if any, shall be posted on the Commission's website and in the *Bulletin* forthwith following approval of the settlement agreement by the Panel, unless otherwise ordered by the Panel.

Rule 13 – Simultaneous Hearing with Other Securities Administrators
(See also subsection 2(5) of the Act.)

13.1 Request for Simultaneous Hearing – (1) At the request of a party to a proceeding or on the Commission's own initiative, the Commission may hold a hearing in or outside Ontario in conjunction with any other body empowered by statute to administer or regulate trading in securities.

(2) A request for a simultaneous hearing shall be made in writing and state the reasons for a simultaneous hearing.

(3) Invitation to Federal Corporations Branch – If the issue that is the subject of the simultaneous hearing is also of interest to the Director, Corporations Branch, of the Federal Department of Consumer and Corporate Affairs in administering the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, the applicant may also request that the federal officer be invited to join the hearing.

(4) Factors in Deciding Whether to Hold a Simultaneous Hearing – When deciding whether to hold a simultaneous hearing, the Commission may take into account any circumstances it considers relevant, which may include whether:

(a) the issues raised through the application and the evidence and arguments to be presented are likely to be substantially the same, notwithstanding any apparent difference in the form of the several applications or the specific legislation in each jurisdiction;

(b) there is an urgent business reason for holding one simultaneous hearing rather than multiple hearings; or

(c) the matter in issue is a novel one and it is in the public interest that securities administrators strive to achieve consistency in their decision-making on the matter.

(5) Factors in Deciding Where to Hold a Simultaneous Hearing – When deciding where to hold a simultaneous hearing, the Commission may take into account any circumstances it considers relevant, which may include:

(a) the preponderance of convenience to the majority of interested parties, taking into account where the majority of the parties reside or have their principal places of business and where witnesses reside; and

(b) where it can be determined that it is in the public interest to do so.

13.2 Payment of Expenses – (1) If a party requests that a simultaneous hearing be held outside Ontario, the Commission may, despite any general public interest perceived in the holding of a simultaneous hearing, before and as a condition precedent to its granting the request, require that party to undertake to pay the additional costs incurred by the Commission.

(2) These costs include travel and related expenses incurred by the Panel, Staff, witness fees and expenses.

Rule 14 – Review of a Decision of the Director, a Stock Exchange, a Self-Regulatory Organization or a Clearing Agency
(See also sections 8 and 21.7 of the Act.)

14.1 Application – In Rule 14, "decision" means any direction, decision, order, ruling or other requirement made by the Director, a stock exchange, a self-regulatory organization or a clearing agency.

14.2 Application for a Hearing and Review – (1) An application for a hearing and review of a decision pursuant to section 8 or 21.7 of the Act shall:

(a) identify the decision in respect of which the hearing and review is being sought;

(b) state the interest in the decision of the party filing the request;

(c) state in summary form the alleged errors in the decision and the reasons for requesting the hearing and review; and

(d) state the desired outcome.

14.3 Record – (1) The party requesting a hearing and review of a decision shall obtain from the Director, stock exchange, self-regulatory organization or clearing agency a record of the subject proceeding and file it.

(2) The record of the proceeding shall include:

(a) the application or other document by which the proceeding was commenced;

(b) the Notice of Hearing;

(c) any interim orders made in the proceeding;

(d) any documentary evidence filed in the proceeding, subject to any limitation expressly imposed by any statute, regulation or rules on the extent to which, or the purpose for which, any such documents may be used in any proceeding;

(e) a copy of any other documents relevant in the proceeding that are referred to in the party's statement of fact and law;

(f) any transcript of the oral evidence given at the hearing; and

(g) the decision that is the subject of the request for a hearing and review and the reasons therefore, if reasons were given.

(3) Omission of Documents from Record – Despite subrule 14.3(1), any of the documents may be omitted from the record if all parties consent, and the Panel agrees or the Panel otherwise directs.

(4) Where Record Unavailable – In the circumstance where no record is available, the parties shall advise the Panel.

14.4 Service and Filing – (1) An application for a hearing and review of a decision shall be served by the applicant on every other party to the original proceeding and filed.

(2) The party requesting a hearing and review shall provide a copy of the record of the proceeding to any other party that requests a copy of the record.

(3) The party requesting a hearing and review shall perfect the application by complying with Rule 14.3 and subrules 14.4(1) and 14.4(2):

(a) if no transcript of evidence is required for the review, within 30 days after filing the request; or

(b) if a transcript of evidence is required for the review, within 60 days after receiving notice that the evidence has been transcribed.

(4) If the party requesting a hearing and review has not complied with subrule 14.4(3), the Secretary may serve a notice on the requester that the request may be dismissed for delay unless it is perfected within 10 days after service of the notice.

(5) Dismissal Where Default not Cured – If the party requesting a hearing and review does not cure the default within 10 days after the service of the notice under subrule 14.4(4), or within a longer period allowed by a Panel, a Panel may make an order dismissing the request and serve the order on the requester.

(6) Record in Response – A party served with an application for a hearing and review and record may serve a record in response on the person making the application and on each other party, at least 15 days before the day on which the application is to be heard.

(7) Record in Reply – A party served with a record in response to an application for hearing and review may serve a record in reply on the person making the response and on each other party an affidavit(s) in reply, at least 5 days before the day on which the application is to be heard.

14.5 New Evidence – If a party proposes to introduce new evidence at the hearing and review, that party shall, at least 10 days before the hearing and review, advise every other party as to the substance of the new evidence and shall deliver to every other party copies of all new documents that the party will rely on at the hearing and review.

14.6 Order Dispensing with Transcripts – The Panel may direct that a transcript of the oral evidence be dispensed with, if the Panel is of the opinion that a transcript of the oral evidence taken at the original hearing is unnecessary to deal effectively with the hearing and review, or for any reason the Panel considers appropriate.

14.7 Stay of a Decision – (1) Before the hearing and review, the party requesting the hearing and review may apply to the Panel for an order staying the original decision until the hearing and review is concluded.

(2) The party shall make the application in writing on notice to all the parties and the application shall state the reasons why a stay is required.

14.8 Setting Down for a Hearing – Once the record of the proceeding is perfected in accordance with subrule 14.4(3), the Secretary shall give notice of the time and place for the hearing and review.

14.9 Statement of Fact and Law in an Oral Hearing – (1) The party requesting a hearing and review shall, if an oral hearing is to be held, serve on every other party and file the memorandum of fact and law being relied upon, at least 30 days before the date of the hearing and review.

(2) Each other party to the hearing and review shall serve on every other party and file a statement of the points to be argued and the memorandum of fact and law being relied upon by it at least 15 days before the date of the hearing and review.

Rule 15 – Further Decision pursuant to Subsection 9(6) of the Act or Revocation or Variation of a Decision pursuant to Section 144 of the Act

15.1 Application – (1) An application for a further decision pursuant to subsection 9(6) of the Act or an application pursuant to section 144 of the Act for a revocation or a variation of a decision made by a Panel shall:

(a) identify the decision in respect of which the request is being made;

(b) state the interest in the decision of the party filing the request;

(c) state the factual and legal grounds for the request; and

(d) state the desired outcome.

(2) An application for a further decision or an application for a revocation or variation of a decision made by a Panel shall be served by the applicant on every other party to the original proceeding and filed.

15.2 New Evidence – If a party proposes to introduce new evidence at the hearing of the application for a further decision or for a revocation or variation of a decision, the party shall, at least 10 days before the hearing, advise every other party as to the substance of the new evidence and shall deliver to every other party copies of all new documents that the party will rely on at the hearing.

15.3 Whether or Not to Hold an Oral Hearing – (1) Upon reviewing the application, a Panel may, on the basis of the written record:

(a) decide to grant the application;

(b) refuse to grant the application; or

(c) decide to hold an oral hearing to consider the application.

15.4 Statement of Fact and Law in an Oral Hearing – (1) The party requesting a further decision or a revocation or a variation of a decision made by a Panel shall, if an oral hearing is to be held, serve on every other party and file a statement of the points to be argued and the memorandum of fact and law being relied upon by it at least 10 days before the date of the hearing.

(2) Each other party to a hearing shall, if an oral hearing is to be held, serve on every other party and file a statement of the points to be argued and the memorandum of fact and law being relied upon by it at least 5 days before the date of the hearing.

15.5 Written Hearing – If the parties consent to a further decision, revocation or variation of a decision made by a Panel, the matter may be heard in writing.

Rule 16 – Application pursuant to Section 104 and/or Section 127 of the Act

16.1 Application – (1) An application made pursuant to section 104 of the Act in connection with a take-over bid or an issuer bid by an interested person as defined in subsection 89(1) of the Act, or an application made pursuant to section 127 of the Act in connection with a take-over bid or an issuer bid, shall be made by serving it on every other party and on the Manager of Take-Over Bids, Issuer Bids and Mergers and Acquisitions Transactions and filing it.

(2) An application shall be accompanied by a memorandum of fact and law and any affidavit(s) as appropriate setting out the facts to be relied upon.

16.2 Setting Down for a Hearing – Once all the documents for the application have been filed in accordance with Rule 16.1, the Secretary shall establish the schedule for the filing of a response and a reply and give notice of the time and place for the hearing of the application.

16.3 Response – A party served with an application may serve on the person making the application and on each other party a memorandum of fact and law and any affidavit(s), and file them in accordance with the schedule established by the Secretary.

16.4 Reply – A party served with a memorandum of fact and law and any affidavit(s) in response to an application may serve on the person making the response and on each other party a memorandum of fact and law and any affidavit(s) in reply, and file them in accordance with the schedule established by the Secretary.

16.5 Request for Leave to Intervene – A request for leave to intervene in an application relating to a take-over bid or an issuer bid shall be made by serving it on each of the parties and filing it in accordance with Rule 1.8.1.

DECISIONS

Rule 17 – Oral and Written Decisions
(See also section 17 of the SPPA.)

17.1 Issuance of Decisions – (1) A Panel may reserve its decision or may give its decision orally at the end of the hearing.

(2) Written Final Decisions – A Panel shall issue a final written decision, which shall be the official decision.

(3) Discrepancy – If there is a discrepancy between an oral decision rendered at the hearing and the written decision, the written decision shall prevail.

17.2 Service of Decisions and Reasons – (1) The Secretary shall send to all parties to the proceeding a copy of the Panel's final decision, including any reasons that have been given.

(2) Publication – A decision shall be published on the Website and in the Bulletin, unless a Panel orders that it shall remain confidential.

17.3 Sanctions Hearing – (1) Unless the parties to a proceeding agree to the contrary, a separate hearing shall be held to determine the matter of sanctions and costs.

(2) Following the issuance of the reasons for the decision on the merits, the Secretary shall set a date for the sanctions hearing if such a hearing is necessary.

(3) Submissions by Staff – Staff shall file submissions regarding the matter of sanctions and costs at least 10 days before the sanctions hearing, unless the Panel provides otherwise.

(4) Responding Submissions – A respondent shall file submissions regarding the matter of sanctions and costs at least 5 days before the sanctions hearing, unless the Panel provides otherwise.

(5) Reply Submissions – Staff shall file any reply submissions regarding the matter of sanctions and costs at least 2 days before the sanctions hearing, unless the Panel provides otherwise.

COSTS AWARDS

Rule 18 – Costs
(See also section 127.1 of the Act.)

18.1 Request for an Award of Costs – (1) A Panel may award costs against a respondent at the request of Staff after having considered any submissions from the parties.

(2) Content of a Request for an Award of Costs – A request for costs by Staff shall be made in a written motion and served on the respondent and it shall contain the following information:

(a) an explanation of the basis of the claim;

(b) a summary statement of hours and fees for each lawyer and each professional that worked on the file, supported by time dockets setting out the hourly wage for the individual and a description of the work performed;

(c) a summary statement of disbursements for each lawyer or professional, supported by corresponding invoices and receipts. If invoices or receipts are not obtainable, the Commission may accept a written record of disbursements and associated dates; and

(d) an affidavit declaring that all the information contained in the dockets and the summary statement of disbursements are true and accurate, and all disbursements were incurred directly and necessarily as a result of the investigation or proceeding.

(3) Time Limit for Making a Request for an Award of Costs – A request for an award of costs on a motion or on the main proceeding shall be served by Staff on the respondent no later than 30 days after the issuance of a final order or decision of a Panel on the main proceeding.

(4) Response – The respondent served with a request for an award of costs may serve on Staff a response setting out any objections to the request, within 15 days of the request.

(5) Reply – After receiving a response, Staff may serve a reply to the respondent's objections within 5 days of receiving the response.

(6) General Principle – A Panel has the discretion to shorten or extend any of these time limits, and may consider the timeliness of any request for costs in determining the amount to be awarded.

18.2 Factors Considered When Awarding Costs – In exercising its discretion under section 127.1 of the Act to award costs against a person or company, a Panel may consider the following factors:

(a) whether the respondent failed to comply with a procedural order or direction of the Panel;

(b) the complexity of the proceeding;

(c) the importance of the issues;

(d) the conduct of Staff during the investigation and during the proceeding, and how Staff's conduct contributed to the costs of the investigation and the proceeding;

(e) whether the respondent contributed to a shorter, more efficient, and more effective hearing, or whether the conduct of the respondent unnecessarily lengthened the duration of the proceeding;

(f) whether any step in the proceeding was taken in an improper, vexatious, unreasonable, or negligent fashion or in error;

(g) whether the respondent participated in the proceeding in a way that helped the Commission understand the issues before it;

(h) whether the respondent participated in a responsible, informed and well-prepared manner;

(i) whether the respondent co-operated with Staff and disclosed all relevant information;

(j) whether the respondent denied or refused to admit anything that should have been admitted; or

(k) any other factors the Panel considers relevant.

18.3 Payment of Investigation Costs – (1) If the Panel orders under subsection 127.1(1) of the Act that the costs of the investigation be paid by a person or company whose affairs were the subject of an investigation, the costs awarded may include the following:

(a) the costs of Staff involved in the investigation, based on the time spent on the investigation by each member of Staff and the applicable hourly rate as prescribed by subrule 18.3(3);

(b) the actual amount of the fees and disbursements paid to a person appointed or engaged under sections 5, 11 or 12 of the Act;

(c) the actual amount of the witness examination costs;

(d) the actual amount of the court reporter's fees;

(e) the actual cost of the transcripts of examinations of individuals during the course of the investigation;

(f) the actual costs of experts;

(g) the disbursements and the incidental costs incurred in respect of the investigation; and

(h) any other costs the Panel considers relevant.

(2) Payment of Hearing Costs – If the Panel orders under subsection 127.1(2) of the Act that the costs of, or related to, a hearing be paid by a person or company whose affairs were the subject of a hearing, the costs awarded may include the following:

(a) the costs of Staff involved in the hearing, based on the time spent on the hearing by each member of Staff and the applicable hourly rate as prescribed by subrule 18.3(3);

(b) the actual amount of the fees and disbursements paid to a person appointed or engaged under sections 5, 11 or 12 of the Act;

(c) the reasonable costs of witnesses, other than a witness referred to in sub-paragraph (b) required to attend at the hearing;

(d) the reasonable costs for the services of a lawyer acting as counsel with or for Staff;

(e) the costs to the Commission to administer the hearing, including fees paid to the court reporter, fees for transcripts, and disbursements required to conduct a hearing;

(f) the reasonable costs incurred for each expert or person engaged by Staff; and

(g) any other costs the Panel considers relevant.

(3) Publication of Costs in Staff Notice – The specific hourly rates for the costs categories, which can be determined a priori, set out in subrules 18.3(1) and 18.3(2) shall be published from time to time as a Staff Notice and will be posted on the Website and published in the Bulletin.

Appendix A – Pre-Hearing Conference Form

The parties may submit this form pursuant to Rule 6.4. In the alternative, the parties may submit such other written submissions as they deem appropriate.

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

AND

IN THE MATTER OF [INSERT STYLE OF CAUSE]

DATE OF PRE-HEARING:

PRE-HEARING CONFERENCE SUBMISSIONS OF:

(insert name of Party)

REPRESENTATIVE:

I. INTRODUCTORY MATTERS

A. Procedural History

1. Notice of Hearing and Statement of Allegations – Date of Issue:
2. Date(s) of Alleged Conduct:
3. Date of Hearing:
4. Interim Orders:
   a) Temporary Cease Trade Order: (Date of Order)

      Provide Details:

   b) Freeze Order: (Date of Order)

      Provide Details:

B. Unrepresented Respondents

1. Are any of the Respondents in this proceeding unrepresented?
2. Has Staff provided any unrepresented Respondent(s) with a copy of the *OSC Guide to Enforcement Proceedings and OSC Frequently Asked Questions About Hearings*?

   Provide Details:

3. Has Staff informed any unrepresented Respondent(s) about the OSC Litigation Assistance Program?

   Provide Details:

4. Does the Respondent intend to apply for the OSC Litigation Assistance Program?

C. Settlement Discussions

1. Have the parties discussed settlement?

   Provide Details:

2. Is there a reasonable prospect of this matter settling?

   Provide Details:

D. Disclosure (Rule 4)

1. Has Staff made disclosure to the Respondent in accordance with subrules 4.3(1) and (2)?

   Provide Details:

2. Has the Respondent made disclosure to Staff in accordance with subrule 4.3(1)?

   Provide Details:

3. Is further disclosure requested?

   Provide Details:

4. Are there any issues in respect of a third party and disclosure?

   Provide Details:

II. PRE-HEARING MATTERS

A. Severance

1. Do you expect to bring a motion to sever the hearing of certain Respondents?

   Provide Details:

B. Disclosure

1. Do you expect to bring a motion respecting disclosure?

   Provide Details:

C. Other

1. Do you expect to bring any other motions?

   Provide Details:

III. THE HEARING

A. Procedure on Hearing

1. Will you be requesting that the hearing, or any part of the hearing, be conducted electronically? (Rule 10.2)

   Provide Details:

2. Will you be requesting that the hearing, or any part of the hearing, be conducted in writing? (Rule 11)

   Provide Details:

B. Hearing Brief re: Documents

1. Have you prepared or will you be preparing a Hearing Brief?

   Provide Details:

   The Hearing Brief has been delivered to the other parties:

   Provide Details:

   OR

   The Hearing Brief will be delivered by: _____

   Provide Details:

IV. EVIDENTIARY MATTERS

A. Expert Evidence

1. Will you be tendering the opinion evidence of a duly qualified expert for admission?

   By Staff:

   By the Respondent:

2. Upon what issue(s) will you be tendering such evidence?

   Provide Details:

3. Will you be challenging the qualification of the expert?

   Provide Details:

4. Will you be filing an expert's report? When?

   Provide Details:

5. Will you be challenging the admissibility of the report?

   Provide Details:

B. Privilege

1. Will you be asserting any claim of privilege in respect of any evidence proposed for introduction:

   Provide Details:

C. Procedural Issues

1. Will you be asking the Commission to rule on any procedural matters?

   Provide Details:

2. Are you making any admissions?

   Provide Details:

D. Documents

1. Has Staff prepared a brief of documents?

   Provide Details:

2. Does the Respondent object to the admissibility of any of the documents?

   Provide Details:

3. Has the Respondent prepared a brief of documents?

   Provide Details:

4. Does Staff object to the admissibility of any of the documents?

   Provide Details:

V. LENGTH AND SCHEDULING OF PROCEEDINGS

1. Length of Hearing and Scheduling of Proceeding

   Has the hearing been scheduled? If so, when?

   If not, what is the anticipated length of time needed to deal with pre-hearing matters?

   For Staff:

   For the Respondent:

2. Witnesses

Please list the witnesses you will be calling:

Witness Name	Estimated Time for Examination–in-Chief	Estimated Time for Cross-Examination (to be completed at pre-hearing)

_____

Dated: At Toronto this _____ day of _____, _____.

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Chapter 6

Request for Comments

6.1.1 CSA Notice and Request for Comment – Proposed Amendments to NI 21-101 Marketplace Operation and NI 23-101 Trading Rules

CSA NOTICE AND REQUEST FOR COMMENT
PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 21-101 *MARKETPLACE OPERATION*
AND NATIONAL INSTRUMENT 23-101 *TRADING RULES*

April 24, 2014

Introduction

The Canadian Securities Administrators (the CSA or we) are publishing for a 90 day comment period proposed amendments (the Proposed Amendments) to the following materials:

- National Instrument 21-101 *Marketplace Operation* (NI 21-101) and Companion Policy 21-101CP (21-101CP);
- National Instrument 23-101 *Trading Rules* (NI 23-101) and Companion Policy 23-101CP (23-101CP and, together with NI 21-101, 21-101CP and NI 23-101, the Marketplace Rules);
- Form 21-101F1 *Information Statement Exchange* or *Quotation and Trade Reporting System* (Form 21-101F1);
- Form 21-101F2 *Initial Operation Report Alternative Trading System* (Form 21-101F2);
- Form 21-101F3 *Quarterly Report of Marketplace Activities* (Form 21-101F3);
- Form 21-101F4 *Cessation of Operations Report for Alternative Trading System* (Form 21-101F4)
- Form 21-101F5 *Initial Operation Report for Information Processor* (Form 21-101F5), and
- Form 21-101F6 Cessation of Operations Report for Information Processor (Form 21-101F6 and, together with Form 21-101F1, Form 21-101F2, Form 21-101F3, Form 21-101F4, and Form 21-101F5, the Forms).

The text of the Proposed Amendments is contained in Annexes B through D of this notice and is also available on websites of CSA jurisdictions, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.bcsc.bc.ca
www.gov.ns.ca/nssc
www.fcnb.ca
www.osc.gov.on.ca
www.sfsc.gov.sk.ca
www.msc.gov.mb.ca

Background

The Marketplace Rules have been in place since 2001 and have been regularly updated since then. The last set of revisions to the Marketplace Rules came into force on July 1, 2012 (the 2012 Amendments), with the exception of amendments to Form 21-101F3, which came into force on December 31, 2012.

Substance and purpose

The purpose of the Proposed Amendments is to update the Marketplace Rules to reflect developments that have occurred since they were last revised, in the following main areas:

- Requirements applicable to marketplaces' and information processors' systems and business continuity planning;
- Government debt transparency; and
- Other various areas where we identified that updates or additional guidance are required.

The Proposed Amendments apply to marketplaces, including alternative trading systems (ATSs), recognized quotation and trade reporting systems (QTRSs), recognized exchanges, and information processors.

Summary of the Proposed Amendments

The Proposed Amendments:

- Extend the existing exemption from the transparency requirements applicable to government debt securities in section 8.6 of NI 21-101 until January 1, 2018;
- Revise the existing requirements applicable to marketplaces' and information processors' systems and business continuity planning;
- Change the provision in section 5.10 of NI 21-101 that currently prohibits a marketplace from disclosing a marketplace participant's order and trade information without the marketplace participant's consent in order to allow the marketplace to provide it to researchers if certain terms and conditions are met;
- Require a marketplace that has co-location arrangements with a third-party service provider to publicly disclose that it has the arrangement along with the name of the provider on its website and ensure each third party that provides a form of access complies with the marketplace's criteria for access;
- Revise the information in Exhibit G in Form 21-101F1 and Form 21-101F2 to ensure we receive relevant information regarding marketplace systems and contingency planning;
- Introduce requirements in Part 13 *Clearing and Settlement* of NI 21-101 to assist in the operation of multiple clearing agencies;
- Make a number of amendments to Form 21-101F3 in order to facilitate the reporting of information in electronic form;
- Provide additional clarification on existing requirements, including guidance on what is considered to be a significant change to Form 21-101F1 and Form 21-101F2; and
- Clarify the obligations of a recognized exchange to its regulation services provider (RSP).

Local Matters

Certain jurisdictions are publishing other information required by local securities legislation. In Ontario, this information is contained in Annex E of this Notice.

Annexes

A. Description of changes to the Marketplace Rules and Forms;

B. The Proposed Amendments;

C. A blackline of NI 21-101, 21-101CP and the Forms, revised with the Proposed Amendments, against the existing NI 21-101, 21-101CP and Forms;

D. A blackline of NI 23-101 and 23-101CP, revised with the Proposed Amendments, against the existing NI 23-101 and 23-101CP; and

E. Local matters.

Authority of the Proposed Amendments

In those jurisdictions in which the Proposed Amendments are to be adopted, the securities legislation provides the securities regulatory authority with rule-making or regulation-making authority in respect of the subject matter of the amendments.

In Ontario, the proposed amendments to NI 21-101 and the Forms are being made under the following provisions of the *Securities Act* (Ontario) (Act):

- Paragraph 143(1)7 authorizes the Commission to make rules prescribing requirements in respect of the disclosure or furnishing of information to the public or the Commission by registrants.

- Paragraph 143(1)10 authorizes the Commission to make rules prescribing requirements in respect of the books, records and other documents required by subsection 19(1) of the Act to be kept by market participants (as defined in the Act), including the form in which and the period for which the books, records and other documents are to be kept.

- Paragraph 143(1)11 authorizes the Commission to make rules regulating the listing or trading of publicly traded securities including requiring reporting of trades and quotations.

- Paragraph 143(1)12 authorizes the Commission to make rules regulating recognized stock exchanges, recognized self-regulatory organizations, and recognized quotation and trade reporting systems including prescribing requirements in respect of the review or approval by the Commission of any by-law, rule, regulation, policy, procedure, interpretation or practice.

- Paragraph 143(1)12.1 authorizes the Commission to make rules regulating alternative trading systems, including prescribing requirements in respect of the review or approval by the Commission of any by-law, rule, regulation, policy, procedure, interpretation or practice.

- Paragraph 143(1)13 authorizes the Commission to make rules regulating trading or advising in securities to prevent trading or advising that it is fraudulent, manipulative, deceptive or unfairly detrimental to investors.

- Paragraph 143(1)39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content. Execution, certification, dissemination, and other use, filing and review of all documents required under or governed by the Act, the regulation or the rules and all documents, determined by the regulations or the rules to be ancillary to the documents.

In Ontario the proposed amendments to NI 23-101 are being made under the following provisions of the Act:

- Paragraph 143(1)10 authorizes the Commission to make rules prescribing requirements in respect of the books, records and other documents required by subsection 19(1) of the Act to be kept by market participants (as defined in the Act), including the form in which and the period for which the books, records and other documents are to be kept.

- Paragraph 143(1)12 authorizes the Commission to make rules regulating recognized stock exchanges, recognized self-regulatory organizations, and recognized quotation and trade reporting systems including prescribing requirements in respect of the review or approval by the Commission of any by-law, rule, regulation, policy, procedure, interpretation or practice.

- Paragraph 143(1)12.1 authorizes the Commission to make rules regulating alternative trading systems, including prescribing requirements in respect of the review or approval by the Commission of any by-law, rule, regulation, policy, procedure, interpretation or practice.

- Paragraph 143(1)13 authorizes the Commission to make rules regulating trading or advising in securities to prevent trading or advising that it is fraudulent, manipulative, deceptive or unfairly detrimental to investors.

Deadline for Comments

Please submit your comments to the Proposed Amendments, in writing, on or before July 24, 2014. If you are not sending your comments by email, please send a CD containing the submissions (in Microsoft Word format).

Where to Send Your Comments

Address your submission to all of the CSA as follows:
British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (NB)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Nunavut

Deliver your comments **only** to the addresses below. Your comments will be distributed to the other participating CSA jurisdictions.

The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
comments@osc.gov.on.ca

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax : 514-864-6381
consultation-en-cours@lautorite.qc.ca

Comments Received will be Publicly Available

Please note that we cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. In this context, you should be aware that some information which is personal to you, such as your e-mail and address, may appear on certain CSA websites. It is important that you state on whose behalf you are making the submission.

All comments will be posted on the Ontario Securities Commission website at www.osc.gov.on.ca and on the Autorité des marchés financiers website at www.lautorite.qc.ca.

Questions

Please refer your questions to any of the following:

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Bonnie Kuhn
Manager, Legal
Alberta Securities Commission
403-355-3890

Sarah Corrigall Brown
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British Columbia Securities Commission
604-899-6738

ANNEX A

DESCRIPTION OF CHANGES TO THE MARKETPLACE RULES AND FORMS

This Annex describes the Proposed Amendments. It contains the following sections:

1. Information transparency for government debt securities
2. Marketplace systems and business continuity planning
3. Use of marketplace participants' trading information for research
4. Co-location and other access arrangements with a service provider
5. Information in Forms 21-101F1, 21-101F2 and 21-101F3
6. Provision of data to information processors
7. Obligations of a recognized exchange to a regulation services provider
8. Form of information provided to regulators
9. Clearing and settlement
10. Requirements applicable to information processors

1. INFORMATION TRANSPARENCY FOR GOVERNMENT DEBT SECURITIES

Background

Part 8 *Information Transparency Requirements for Marketplaces Dealing in Unlisted Debt Securities, Inter-Dealer Bond Brokers and Dealers* of NI 21-101 sets out the transparency requirements for the entities trading unlisted debt securities, including government debt securities. The specific pre-trade and post-trade transparency requirements applicable to government debt securities are set out in section 8.1 of NI 21-101. Section 8.6 of NI 21-101 provides an exemption from these requirements until January 1, 2015. The exemption was last renewed in 2012. The purpose of the exemption is to maintain the regulatory framework for government debt transparency, but delay imposing regulatory requirements until such time they are appropriate. In the past, we indicated that no other jurisdiction had established mandatory transparency requirements for government debt securities, and that we extended the exemption from the transparency requirement to allow us to review international regulatory developments and progress towards additional transparency in Canada to determine what, if any, mandatory requirements are needed in this area.[1]

Since the 2012 Amendments were finalized, we have monitored domestic and international regulatory developments in the fixed income market and have summarized them below.

Domestic developments

In Canada, there have been a number of regulatory developments which are noteworthy. In October 2011, IIROC implemented Dealer Member Rule 3300 – *Fair Pricing of Over-The-Counter Securities* (the Fair Pricing Rule), which seeks to accomplish a number of objectives, including ensuring that dealers' clients, in particular retail clients, are given prices for over-the-counter securities that are fair and reasonable in relation to prevailing market conditions.

On January 9, 2014, IIROC re-published for comment Proposed Rule 2800C – *Transaction Reporting for Debt Securities* (Proposed IIROC Rule).[2] The Proposed IIROC Rule, previously published for comment on February 20, 2013,[3] will require dealers to report, on a post-trade basis, all debt market transactions executed by the dealer member, including those executed on an ATS or through an inter-dealer bond broker (IDB). The Proposed IIROC Rule will facilitate the creation of a database of transaction information that would enable IIROC to carry out its responsibilities with respect to the surveillance and oversight of over-the-counter debt market trading.

1 CSA Notice of Proposed Amendments to NI 21-101 and NI 23-101 published at (2011) 34 OSCB (Supp-1).

2 Available at http://iiroc.knotia.ca/Knowledge/View/Document.cfm?Ktype=445&linkType=toc&dbID=201312361&tocID=22.

3 Available at http://www.iiroc.ca/Documents/2013/2e5bf850-7ea6-4b36-9217-f744517554a9_en.pdf.

On July 15, 2013, a number of amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) came into force and implemented the second phase of the CSA Client Relationship Model (CRM) Project (CSA CRM 2). The purpose of the amendments is to ensure that clients of all registrants, including dealers, receive clear and complete disclosure of all charges and registrant compensation associated with the investment products, including fixed income products, and services they receive. The amendments introduced requirements for registrants to: (i) disclose the annual yield to maturity of debt securities on trade confirmations issued to clients after their purchase;[4] (ii) disclose either total compensation or the gross commission[5] on all debt security trade confirmations issued to all clients; and (iii) where the gross commission is disclosed, provide a prescribed general notification.[6] On December 31, 2013, IIROC published for comment a series of proposed rule amendments to implement CSA CRM 2 in its dealer member rules. The rule amendments are substantially the same as the CSA CRM 2 amendments, including those described above.

We also met with dealers and institutional buy-side representatives, individually or through their committees, and with ATS and IDB representatives to discuss fixed income market developments, the sources of information for those participating in the fixed income markets, including retail investors, and whether there was a need for additional transparency in the fixed income market.

The market participants involved in our consultations generally indicated that there was sufficient information available regarding fixed income securities. Some believed, however, that there was information asymmetry, and that different information was available to different market participants. For example, larger market participants (dealers and buy-side representatives) have access to a wealth of information, including indicative pricing information shared through the Bloomberg platform, composite pricing data offered by a fixed income marketplace, dealers' information and index pricing. In addition, certain larger market participants also subscribe to the Fixed Income Price Service (FIPS) of CDS Innovations Inc., which provides details of all fixed income trades reported to CDS Clearing and Depository Services Inc. (CDS) on a daily basis.[7] FIPS includes all fixed income federal, provincial, municipal and corporate securities that are eligible for deposit at CDS.

Smaller market participants also have access to fixed income information, but not to the same extent as the larger market participants. For some, the cost of information appears to be an issue. The sources of fixed income information available to retail investors are limited and have not changed significantly. Mostly, they rely on their dealer's information, and the prices they receive are those offered by their registered representatives (RR), which are based on the dealers' retail desk prices with an additional mark-up representing the RR's commission. Some market participants involved in our consultations believed that there should be more education of investors about fixed income securities and their risks and that this may be more beneficial than additional fixed income information.

International developments

In the United States, the Trade Reporting and Compliance Engine (TRACE) was originally established to provide transparency for corporate debt securities. The scope of the securities reportable to TRACE includes, and has included for some time, all securities issued or guaranteed by an agency or a government-sponsored enterprise, except securities issued by the U.S. Treasury.[8] No new developments have occurred.

In Europe, on January 14, 2014, the European Parliament and the Council announced that they agreed in principle on updated rules for markets in financial instruments (MiFID II). For the first time, MiFID II would introduce a pre- and post-trade transparency regime for non-equity instruments, where pre-trade transparency waivers would be available for large orders, requests for quote and voice trading, and post-trade transparency would be provided with the possibility of deferred publication or volume masking, as appropriate.[9] The agreement will be forwarded to the European Securities and Markets Authority for details regarding how the various provisions are to be implemented. At this time, it is expected that the rules will be finalized this year, with general compliance required by 2016.

Proposed Amendments

The initiatives described above are a step forward in the development of a robust regulatory framework for fixed income securities. While we continue to be of the view that transparency in the fixed income market is important, we have delayed

4 Subsection 14.12(b.1) of NI 31-103.

5 "Total compensation" is the total amount of any mark-up or mark-down, commission or other services that were charged on a debt security trade. "Gross commission" is the commission a registrant charges on the debt security trade (as compared to "net commission, which is the Registered Representative's portion of the commission charged on the trade).

6 Subsection 14.12(c.1) of NI 31-103.

7 See details at http://www.tmx.com/en/data/products_services/regulatory_depository/fixed_income_price_service.html.

8 The definition of a TRACE-eligible security is in FINRA Rule 6710, available at http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=4400.

9 According to press release of the European Commission, available at http://europa.eu/rapid/press-release_MEMO-14-15_en.htm?locale=en.

imposing requirements that would mandate transparency in government debt and propose to extend the exemption from transparency for government debt securities until January 1, 2018.

However, we are of the view that there is a role for regulatory policy in this area and, for this reason, we do not propose to remove the transparency requirements currently set out in NI 21-101. We believe this is appropriate because we did not find, through our review of fixed income market developments, that there has been significant progress towards more transparency in our markets. We are of the view that smaller market participants, and in particular retail investors, could benefit from additional sources of information, including information that meets regulatory standards and is not cost prohibitive.

At the same time, we are mindful that the Canadian fixed income market is relatively small as compared to fixed income markets globally, and believe it would not be appropriate to mandate transparency for government debt securities before other jurisdictions. As we noted, at this time, no other international jurisdiction has mandated transparency for government debt securities, although this will change when MiFID II is implemented. As it is currently believed that MiFID II will be implemented in 2016, we plan to review the effects of its implementation prior to proposing any transparency requirements through NI 21-101. If, after this review, the CSA believe that it would be beneficial to mandate transparency for government debt securities, we will first need to ensure the appropriate framework is in place before implementing such a requirement.

As the current transparency exemption expires on December 31, 2014, we note that the CSA may have to take steps to expedite the approval and implementation of this specific proposed amendment in order to meet this deadline.

We note that, currently, NI 21-101 includes transparency requirements for corporate debt securities[10] and an information processor for corporate debt securities, CanPX Inc. (CanPX), is in place. CanPX currently requires firms that have achieved a de minimus market share of 0.5% of the total corporate debt trading in two of the three most recent quarters to report the corporate bond trade information for a number of designated corporate debt securities.[11] While we are not proposing any changes to the requirements applicable to corporate debt securities at this time, we note that we are reviewing the framework for corporate debt transparency and will consider steps to increase corporate debt transparency in the coming year.

2. MARKETPLACE SYSTEMS AND BUSINESS CONTINUITY PLANNING

Background

In Canada, trading has been conducted electronically for many years. The high degree of connectivity among marketplaces and marketplace participants required for electronic equity trading means that the impact of marketplace systems failures can have wide-reaching and unintended consequences. Part 12 of NI 21-101 sets out requirements for marketplace systems and business continuity planning to mitigate the probability and effects of systems failures and we think that it is important for these requirements to be updated so that they continue to be effective in helping ensure that marketplace systems are reliable, robust and have adequate controls.

The Ontario Securities Commission (OSC) engaged a consultant, Fionnuala Martin and Associates (Consultant), to conduct a review of the risks of electronic trading and to determine if any changes were necessary to current rules to address any identified gaps. The Consultant completed a report with a number of recommendations, including: increased transparency regarding marketplace testing environments, the use of industry-wide test symbols in marketplace production environments and for marketplace requirements related to business continuity planning to be equivalent to those of marketplace participants.[12]

Upon reviewing all of the Consultant's recommendations and conducting our own review of current systems requirements, we propose adding requirements with respect to five main areas: (i) business continuity testing; (ii) use of uniform test symbols in marketplace production environments and increased transparency of testing environments; (iii) security breaches; (iv) expansion of the scope of independent systems reviews (ISRs); and (v) marketplace launches and material changes to marketplace technology requirements.

(i) Business Continuity Testing

Section 12.4 of NI 21-101 requires that marketplaces develop and maintain reasonable business continuity and disaster recovery plans (BCP and DRP) and test these plans annually. We propose to amend subsection 12.4(1) to clarify that the testing of business continuity plans must be done according to prudent business practices.

[10] Section 8.2 of NI 21-101 requires marketplaces to report accurate and timely information for orders of designated corporate debt securities to an information processor, as required by the information processor. It also requires marketplaces, IDBs and dealers to report accurate and timely information regarding details of trades of corporate debt securities to the information processor, as required by the information processor. Section 8.3 of NI 21-101 requires the information processor to produce an accurate consolidated feed in real-time showing the information provided to it.

[11] The most recent list of designated corporate debt securities is available at http://www.canpxonline.ca/selectioncriteria.php.

[12] The complete report with recommendations may be found at Appendix A of OSC Staff Notice 23-702 *Electronic Trading Risk Analysis* Update published on December 12, 2013 at (2013), 36 OSCB 11767.

In addition, we think that the increase in marketplace fragmentation for listed equities has made the recovery process in the case of a disaster significantly more complex and that a successful industry-wide BCP test is key to any realistic expectation of a Canadian capital markets recovery from a major disaster within a reasonable length of time. We also note that the U.S. Securities and Exchange Commission has proposed to require certain entities to participate in industry BCP and DRP tests in Regulation Systems Compliance and Integrity (Reg SCI).[13]

Compulsory participation in BCP and DRP tests by marketplaces and clearing agencies has been discussed several times over the last few years and based on the above analysis, the CSA have concluded that it is appropriate to propose that marketplaces, recognized clearing agencies, information processors, and marketplace participants must participate in industry-wide business continuity tests as determined by an RSP, regulator, or in Québec, a securities regulatory authority.

It is our expectation that participation in industry-wide BCP tests will improve the resilience of Canadian market infrastructure entities, including marketplaces, and reduce recovery time after a disaster. As an extension of this result, we are also proposing in subsection 12.4(2) of NI 21-101 that a marketplace with a total trading volume in any type of security equal to or greater than 10% of the total dollar value of the trading volume in that type of security on all marketplaces in Canada during at least two of the preceding three months of operation must ensure that each system operated by or on behalf of the marketplace that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, and trade clearing can resume operations within 2 hours following the declaration of a disaster by the marketplace. In addition, subsection 14.6(3) of NI 21-101 would require an information processor to be able to resume operations of its critical information technology systems within one hour following the declaration of a disaster by the information processor.

(ii) Uniform test symbols in production environments

Although marketplaces currently provide testing environments for participants, these environments remain unconnected, do not utilize uniform test symbols and in some cases are offered in facilities that may not be a reasonably good proxy of the marketplace's production environment. In order for participants to have the ability to properly test their IT systems in today's fragmented yet interdependent market, we have proposed the requirement for marketplaces to use uniform test symbols for the purpose of testing to be performed in the production environment. We expect that the details of how to best implement this proposed requirement will be discussed with industry groups and we welcome any comments with respect to the implementation of this proposed requirement.

In the meantime, in order for marketplace participants and their clients to better understand the current testing environments of the marketplaces that they trade on, we have proposed to include in section 10.1 of NI 21-101 that a marketplace publicly disclose the hours of operation of its testing environment, and describe any difference between its testing and production environments along with a description of the potential impact of these differences on the effectiveness of testing by its participants.

(iii) Security breaches

Due to the growing complexity and interconnectedness of the various marketplace systems, a security breach of one system that shares network resources could impact other systems vital to the operation and integrity of the marketplace. Security breaches not only include cyber-attacks originated by outsiders but all unauthorized systems breaches. Such system intrusions can be perpetrated by outsiders, employees or agents of the marketplace, and can be both intentional and inadvertent.

As a result of the growing concern with system security, we have proposed a requirement in subsection 12.1(c) of NI 21-101 for a marketplace to promptly notify the regulator or in Québec, the securities regulatory authority, of any material security breach, in addition to the existing requirement to provide notification of any material systems failure, malfunction or delay of its systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing (trading related systems). In addition, proposed subsection 12.1.1(b) of NI 21-101 would require a marketplace to promptly notify the regulator or in Québec, the securities regulatory authority, if there is a security breach of any system that shares network resources with one or more of the trading related systems, that if breached would pose a security threat to a trading related system (auxiliary system).

(iv) Expansion of scope of ISRs

We propose in paragraph 12.2(1)(b) of NI 21-101 that the annual ISR by a qualified party review a marketplace's information security controls of the marketplace's auxiliary systems. We think that a review of the information security controls of auxiliary systems will aid in ensuring the security of a marketplace's systems.

[13] Subparagraph 1000(b)(9)(ii) of Reg SCI would require an SCI entity to coordinate the testing of business continuity and disaster recovery plans on an industry- or sector-wide basis with other SCI entities. For more information see https://www.federalregister.gov/articles/2013/03/25/2013-05888/regulation-systems-compliance-and-integrity.

We have further proposed that the report resulting from the ISR must be furnished to the regulatory authority within the earlier of 30 days of providing the report to its board of directors or the audit committee or 60 days after the calendar year end.

(v) Launch of new marketplaces and material changes to marketplace technology requirements

As mentioned above, the failure of a marketplace's systems can have wide-reaching and unintended consequences. A marketplace beginning operations or making a material change to its systems can therefore negatively impact many other parties if these actions are not carried out in a careful manner. Therefore, we are proposing requirements to ensure that, from a systems perspective, the launching of new marketplaces and material changes made to a marketplace's technology requirements are conducted according to prudent business practices and are implemented so that marketplace participants and service vendors have a reasonable opportunity to adapt to these changes.[14]

Paragraphs 12.3(5)(c) and 12.3(6)(b) of NI 21-101 would require a marketplace's senior executive to certify that all information technology systems have been tested according to prudent business practices and are operating as designed prior to a marketplace beginning operations or implementing material changes to its technology requirements. We expect that these proposed requirements will help mitigate systems risks that arise when a new marketplace or a material systems change to a marketplace's technology requirements is introduced.

In order to give marketplace participants and their service providers a reasonable opportunity to make any necessary changes to their systems to access and interface with a new marketplace or to accommodate a significant change to a marketplace's technology requirements, we propose to amend subsection 12.3(3) of NI 21-101 so that a marketplace would not be able to launch operations or implement a material change to its technology requirements before the later of three months after a regulator or a securities regulatory authority, as applicable, has completed its review and a reasonable time that would allow marketplace participants to complete any necessary systems work and testing.

(vi) Other systems related amendments

Given the growing diversity and complexity of marketplace systems, marketplaces are increasingly looking to third parties to provide vital equipment and know-how to operate certain systems. We believe that system requirements denoted in subsection 12.1 of NI 21-101 should apply to each marketplace system that supports order entry, order routing, execution, trade comparison, data feeds, surveillance and trade clearing. To that end, we have made clear in these amendments that system requirements apply to systems not only operated by a marketplace but also operated on behalf of a marketplace.

We are also proposing to amend section 6.8 of NI 23-101 to ensure that marketplaces that trade standardized derivatives will immediately notify its marketplace participants if the marketplace experiences a failure, malfunction or material delay of its systems, equipment or its ability to disseminate marketplace data.

Lastly, we are revising the information required in Exhibit G in Form 21-101F1 and Form 21-101F2 to ensure we receive relevant and consistent information from marketplaces regarding systems, contingency planning, system capacity and IT risk management.

3. USE OF MARKETPLACE PARTICIPANTS' TRADING INFORMATION FOR RESEARCH

Background

Subsection 5.10(1) of NI 21-101 prohibits a marketplace from providing a marketplace participant's order and trade information to a person or company other than the market participant, a securities regulatory authority or an RSP unless (i) the marketplace participant has consented in writing, (ii) the release of the order and trade information is required by applicable law or NI 21-101, or (iii) the order and trade information was disclosed by another person or company, and the disclosure was lawful.

Before the 2012 Amendments were implemented, the requirement applied only to ATSs. It was extended, as part of the 2012 Amendments, to recognized exchanges and QTRSs to harmonize the rules for all marketplaces. An unintended result of this was that all marketplaces, including exchanges, were prohibited from providing order and trade information for capital markets research without the written consent of all of their marketplace participants. In Ontario, an exemption order was granted to marketplaces to allow them to provide marketplace participants' data for capital markets research.[15]

Proposed Amendments

We support capital markets research and are of the view that marketplaces should be allowed to provide marketplace participants' data for research provided that certain terms and conditions are met. Therefore, we propose an exception from the

[14] These Proposed Amendments codify staff practice outlined in OSC Staff Notice 21-706 – *Marketplaces' Initial Operations and Material System Changes* published on October 4, 2012 at (2012) 35 OSCB 8928.

[15] Available at http://www.osc.gov.on.ca/en/SecuritiesLaw_ord_20131003_210_alpha-trading.htm

confidentiality requirements in subsection 5.10(1) of NI 21-101 to allow marketplaces to provide their marketplace participants' data without their consent to capital market researchers.[16] In proposed subsection 7.7(1) of 21-101CP, we clarify that proposed subsection 5.10(1.1) of NI 21-101 does not impose any obligation on a marketplace to disclose its marketplace participants' information if requested by a researcher. In fact, the marketplace may choose to maintain this information in confidence, and this may be codified in its contracts with marketplace participants.

Proposed subsection 5.10(1.1) of NI 21-101 contains the provision that allows a marketplace to release a marketplace participant's order or trade information to a person or company if that marketplace has entered into a written agreement with each person or company that will receive the order and trade information.

The terms and conditions under which marketplaces would be able to provide data are listed in proposed subsections 5.10(1.1), 5.10(1.2) and 5.10(1.3) of NI 21-101. Proposed paragraph 5.10(1.1)(a) lists the minimum provisions that must be included in such agreements. The purpose of these provisions is to ensure that the marketplace participants' data provided by a marketplace is not misused. Proposed subparagraph 5.10(1.1)(a)(ii) requires that the agreement should have provisions that ensure that the person or company does not publish or disseminate data or information that discloses, directly or indirectly, the transactions, trading strategies or the market position of a particular marketplace participant or its clients. Proposed subparagraph 5.10(1.1)(a)(iii) requires that the agreement stipulate that the order and trade information not be used for any purpose other than capital markets research. This proposed subparagraph does not dictate the nature of the research, or who may conduct such research. However, in proposed subsection 7.7(1) of 21-101CP, we clarify that using marketplace participants' data for trading, advising others to trade or for reverse engineering trading strategies are examples where data would not be used for capital markets research. This proposed provision would apply to the researcher or any other person, such as a research assistant, or company with whom the researcher works. If the researcher engages another person or company, they would have to seek the marketplace's consent, as required by proposed subparagraph 5.10(1.1)(a)(i) before passing along the order or trade information received to that person or company. The purpose of the marketplace notification and consent is to allow the marketplace to determine the appropriate course of action to ensure that the data is not misused. This may include, for example, requiring that any other person or company working with a researcher enter into an agreement with the marketplace.

Proposed subparagraphs 5.10(1.1)(a)(iv) and (v) require that the marketplace participants' information received is kept securely stored and only for a reasonable period of time after the completion of the research and publication process. Proposed subparagraph 5.10(1.1)(a)(vi) requires that the agreement has a provision that would require a researcher to inform the marketplace of any breach or possible breach of the confidentiality of the information provided.

Proposed subsection 5.10(1.2) sets out the requirements applicable to marketplaces that release their marketplace participants' order and trade data to researchers. A marketplace is required to take all appropriate steps, that in its sole discretion, are necessary to prevent or deal with a breach or possible breach of the confidentiality of the information provided or of the agreement with the researcher. In the event of a breach or possible breach of the confidentiality of the information provided or of the agreement, a marketplace is also required to inform the regulator or, in Québec, the securities regulatory authority. We consider a breach of the agreement or of the confidentiality of the information provided sufficiently important to warrant regulatory notification. If notified, the regulators would monitor whether the marketplace is taking all appropriate steps to deal with the breach or possible breach.

Proposed subsection 5.10(1.3) of NI 21-101 sets out the conditions that must be met for a person or company receiving order and trade information from a marketplace to disclose this information. The only exception permitted by this subsection is to allow those conducting peer reviews to have access to the marketplace's order and trade data solely for the purpose of verifying the research prior to its publication. Proposed paragraph 5.10(1.3)(b) requires the peer reviewer to maintain the confidentiality of the information.

To help regulators determine if the marketplace has entered into the agreements required under section 5.10 of NI 21-101, we propose to add that a copy of any agreement referred to in section 5.10 be added to the list of documents that must be maintained for at least seven years in section 11.3 Record Preservation Requirements of NI 21-101.

4. CO-LOCATION AND OTHER ACCESS ARRANGEMENTS WITH A SERVICE PROVIDER

Background and Proposed Amendments

Co-location is the ability of traders (be it participants of a marketplace or their clients operating through direct electronic access) to install servers in close physical proximity to a marketplace's trading engine, thus effectively reducing trading latency. Currently, a number of third party service providers provide co-location access to various marketplaces. We are of the view that co-location, and any other form of marketplace access, should be provided on a fair and transparent basis.

[16] The proposed amendments to NI 21-101 that would allow for this exception are substantially similar to the terms and conditions in the OSC exemption order granting marketplaces an exemption from the requirement to keep order and trade information in confidence.

To help ensure that co-location, and any other form of marketplace access, is provided on a fair basis, proposed section 5.13 of NI 21-101 would require a marketplace that allows a third party service provider to provide access to its trading engine to ensure the third party service provider complies with the access provisions the marketplace has established under section 5.1 of NI 21-101. Section 5.1 requires a marketplace to not: (i) unreasonably prohibit, condition or limit access by a person or company to services offered by it; (ii) permit unreasonable discrimination among clients; and (iii) impose any burden on competition that is not reasonably necessary and appropriate and subsection 5.1(2) requires a marketplace to establish written standards for granting access to each of its services.

To increase transparency regarding when access to a marketplace is provided by a third party service provider, proposed subsection 10.1(i) of NI 21-101 would require a marketplace to disclose any access arrangements with a third party service provider, including the name of the provider and the standards for access to be complied with by the provider on the marketplace's website.

5. INFORMATION IN FORMS 21-101F1, 21-101F2 AND 21-101F3

Background

The information a recognized exchange provides in its Form 21-101F1 or an ATS provides in its Form 21-101F2 is crucial for regulators to understand the various important aspects of the marketplace, including its operations, marketplace participants and the securities that it trades. Form 21-101F3 is a form that is to be filed quarterly by marketplaces and the information in a Form 21-101F3 provides us with helpful information such as the types of trading activity that occurs on a marketplace. Together, the information in all of these forms allows us to regulate marketplaces and monitor changes in market activity more effectively.

In order to ensure that we receive current and accurate information in Forms 21-101F1 and 21-101F2 and can more easily review certain information contained in these forms, we have proposed changes related to: (a) guidance as to what constitutes a significant change to information in Form 21-101F1 and Form 21-101F2; (b) providing certain changes to these forms to a marketplace's RSP; (c) an annual certification pertaining to the information in the forms and (d) filing of materials related to outsourcing.

Based on past experiences in reviewing Form 21-101F3s filed by various marketplaces, we have also proposed changes to Form 21-101F3 as outlined in (e) below.

(a) Guidance regarding significant changes to Form 21-101F1 and Form 21-101F2

In order for regulators to have complete and accurate information regarding a marketplace, the information in these forms needs to be kept up-to-date and any significant changes to this information need to be reviewed by a securities regulatory authority to ensure that they are in keeping with the public interest. Therefore, subsection 3.2(1) of NI 21-101 requires that a marketplace file an amendment to the information provided in Form 21-101F1 or in Form 21-101F2, as applicable, at least 45 days before implementing a significant change. Subsection 3.2(3) of NI 21-101 requires that changes to fee information set out in Exhibit L – Fees be filed at least seven business days before their implementation. To assist a marketplace in determining if a change is significant, subsection 6.1(4) of 21-101CP gives guidance that a change that could significantly impact a marketplace, its marketplace participants, investors or the Canadian capital markets is considered to be a significant change. Paragraphs 6.1(4)(a) through (n) of 21-101CP give examples of significant changes.

Under the current guidance in 21-101CP, all changes listed in paragraphs 6.1(4)(a) through (n) could be considered significant. However, feedback received from marketplaces and insight gained from reviewing marketplace filings show that some of these changes may or may not be significant, depending on their actual impact. For example, a change that would be considered significant to the operations of a continuous auction equity marketplace may not necessarily have the same impact on a request-for-quote fixed income marketplace.

Therefore, we propose amendments to subsection 6.1(4) to clarify that the types of changes currently listed in paragraphs 6.1(4)(a) through (n) of 21-101CP are only considered significant if they significantly impact a marketplace, its systems, market structure, marketplace participants or their systems, investors, issuers or the Canadian capital markets. The proposed guidance would further state that whether a change contemplated by a marketplace makes a significant impact depends on whether it is likely to give rise to potential conflicts of interest, to limit access to the services of a marketplace, introduce changes to the structure of the marketplace or results in costs, such as implementation costs, to marketplace participants, investors or, if applicable, the RSP.

A number of changes made by a marketplace will always be considered significant. These changes, listed in proposed paragraphs 6.1(4)(a), (b) and (c) of 21-101CP, are changes to a marketplace's structure, including procedures governing how orders are entered, displayed (if applicable), executed, cleared and settled. They also include changes related to the introduction or modifications to order types, fees or fee models.

As set out above, other changes may or may not be significant, depending on their impact. They are listed in proposed paragraphs 6.1(4)(d) through (n). It is our expectation that a marketplace considering these changes will make a determination as to whether or not they have a significant impact, based on the guidance provided. If a marketplace's proposed changes to either Form 21-101F1 or Form 21-101F2 have a significant impact, the changes must be filed at least 45 days in advance of their implementation. Otherwise, the changes must be filed subsequent to their implementation, as required by subsection 3.2(3) of NI 21-101.

Subsection 6.1(5) of 21-101CP includes guidance regarding changes that are not considered to have a significant impact on a marketplace, its market structure, marketplace participants, investors, issuers or the capital markets.

(b) Provision of Proposed Form Changes to Regulation Services Provider

We are of the view that an RSP of a marketplace should be kept informed of changes to the operations of the marketplace in order to effectively perform its regulatory functions. To that end, proposed subsection 3.2(1.1) of NI 21-101 would require a marketplace that has entered into an agreement with an RSP to provide the RSP with any proposed significant changes to a matter set out in Exhibit E – Operation of the Marketplace of Form 21-101F1, where the marketplace is an exchange or Form 21-101F2 where the marketplace is an ATS. In addition, the marketplace would need to provide the RSP with any proposed significant changes to a matter set out in Exhibit I – Securities of Form 21-101F1, where the marketplace is an exchange or Exhibit I – Securities of Form 21-101F2 where the marketplace is an ATS.

We have proposed that only changes to Exhibits E and I must be provided to the RSP because this information may impact the monitoring of trading conducted by the RSP.

(c) Annual Certification of Form 21-101F1 and Form 21-101F2 Information

To help ensure the information in a marketplace's Form 21-101F1 or Form 21-101F2, as applicable, is accurate and updated regularly, proposed subsection 3.2(4) of NI 21-101 would require the chief executive officer of a marketplace to annually certify that the information in the marketplace's applicable form, is true, correct and complete and reflects the operations of the marketplace as they have been implemented. Along with this certification, we have proposed that a marketplace annually provide an updated and consolidated form in subsection 3.2(5) of NI 21-101.

These proposed changes will assist us in having an accurate and complete understanding of the operations of the marketplaces that we oversee and the risks faced by the market, thereby improving our ability to regulate more effectively.

(d) Filing of Materials Related to Outsourcing

To better ensure that marketplaces have established appropriate policies and procedures and other materials required under subsections 5.12(a), (b), (f), (g) and (h) of NI 21-101 related to the outsourcing of the operation of any key marketplace service or system to a service provider, we propose that marketplaces file these materials as part of Exhibit F of Form 21-101F1 or Form 21-101F2, as applicable.

(e) Changes to Form 21-101F3

Based on our past experience with reviewing and using data collected from Form 21-101F3 we have proposed changes to this form to include additional information that we think is important in our oversight of a marketplace and to remove certain information to facilitate the electronic filing of this form.

In particular, we have removed the requirement to provide a list of all marketplace participants that are using the marketplace's co-location services and the percentage of marketplace participants that use a marketplace's co-location services as we now propose to receive this information in Form 21-101F1 or Form 21-101F2. We also propose to remove the requirement to provide a list of participants granted, denied or limited access to the marketplace as we now propose to receive this information in Form 21-101F1 or Form 21-101F2 as well. In addition, we propose to revise how information is provided to us in Charts 2, 3, 15 and 16. Specifically, we propose that marketplaces provide the raw number of the volume, value and number of trades in charts 2, 15 and 16 rather than a percentage and that marketplaces provide the actual number of orders executed and cancelled rather than provide a percentage in chart 3. These Proposed Amendments would streamline some of the information in Form 21-101F3 and facilitate the electronic filing of this form.

With respect to Chart 8, we propose to ask for information on each fixed income security traded on the marketplace rather than only asking for information on the top ten fixed income securities (based on the value of the volume traded) that are traded on the marketplace. This additional information will help us better understand the trading that is conducted in the fixed income market.

Finally, we are proposing to receive information in Form 21-101F3 regarding significant systems and technology changes that were planned, under development or implemented during the quarter. We think that this information will help us anticipate and perhaps address issues that we may identify for marketplaces with respect to these significant changes.

6. PROVISION OF DATA TO AN INFORMATION PROCESSOR

Background and Proposed Amendments

We note that an information processor (or information vendor, in its absence), is a key element in the multiple marketplace environment for equity listed securities. It facilitates compliance by marketplace participants with relevant requirements in a multiple marketplace environment by ensuring the availability of consolidated data that meets regulatory standards and which users, as well as regulators, could use to demonstrate or evaluate compliance with certain regulatory requirements. As a result, it is important to ensure that the information processor receives accurate and timely information from marketplaces. This is reflected in the requirements that marketplaces provide accurate and timely data to the information processor in subsections 7.1(1) and 7.2(1) of NI 21-101.

Currently, subsection 9.1(2) of 21-101CP sets out the expectation that a marketplace will not make the order and trade information it is required to report under sections 7.1 and 7.2 of NI 21-101 to any other person or company on a more timely basis than it makes it available to the information processor or information vendor.

We are of the view that this information is not timely if it is made available by a marketplace to any other person or company before it is made available to the information processor, or if applicable, information vendor. We have therefore proposed new subsections 7.1(3) and 7.2(2) of NI 21-101 to codify this requirement.

7. OBLIGATIONS OF A RECOGNIZED EXCHANGE TO A REGULATION SERVICES PROVIDER

Background

Section 7.1 of NI 23-101 provides a recognized exchange with an option to either directly monitor the conduct of its members or engage an RSP to perform this monitoring. Today, a number of recognized exchanges have engaged IIROC to act as their RSP and perform the required monitoring. When an exchange decides to engage an RSP to monitor the conduct of its members, section 7.2 of NI 23-101 requires, among other things, that an agreement between an exchange and RSP include that the recognized exchange will transmit to the RSP information that the RSP needs to effectively monitor: (i) the conduct of and trading by marketplace participants on and across marketplaces, and (ii) the conduct of the recognized exchange.

Proposed Amendments

The CSA have been told that the requirements under this subsection 7.2 of NI 23-101 are not necessarily clear to all recognized exchanges and that different interpretations exist as to what a recognized exchange's specific obligations are under these provisions. To help clarify these requirements, we have proposed a new section, 7.2.1 *Obligations of a Recognized Exchange to a Regulation Services Provider*, that turns certain provisions that currently must be included in an agreement with an RSP under section 7.2 into direct requirements that a recognized exchange would have to follow. We have also provided further guidance regarding proposed section 7.2.1 in 23-101CP to assist exchanges in understanding their obligations to an RSP. While we are of the view that these Proposed Amendments do not significantly change our expectations of a marketplace or its existing relationship with an RSP, we believe these changes will help eliminate incorrect interpretations of the current provisions.

Specifically, we propose in section 7.1(3) of NI 23-101 that a recognized exchange that has entered into a written agreement with an RSP must set requirements that are necessary for the RSP to be able to effectively monitor trading on the exchange and across marketplaces as required by the RSP. The proposed guidance in 7.1 of 23-101CP explains that a recognized exchange is expected to adopt all rules of the RSP that relate to trading as part of the requirements it must set under subsection 7.1(3). Further, it is proposed that the exchange transmit to the RSP information required by the RSP to monitor the conduct of the recognized exchange, including compliance of the recognized exchange with the requirements set under subsection 7.1(3). Analogous requirements relating to QTRSs have also been proposed in section 7.4.1 of NI 23-101.

8. FORM OF INFORMATION PROVIDED TO REGULATORS

Section 11.2.1 of NI 21-101 requires a marketplace to transmit information required by its RSP and its securities regulatory authority within ten business days in electronic form. To ensure that regulators receive the information they need in the form and format that is most helpful for them to conduct their oversight, we propose to add the requirement that a marketplace transmit information in the manner that is requested by a securities regulatory authority and if applicable, its RSP.

9. CLEARING AND SETTLEMENT

Background and Proposed Amendments

Part 13 *Clearing and Settlement* of NI 21-101 sets out certain clearing and settlement requirements for all trades executed on a marketplace.

Proposed section 13.2 of NI 21-101 codifies the policy objective that marketplace participants should not be unreasonably prevented from having access to the clearing agency of their choice. This policy objective is important since the acquisition by Maple Group Acquisition Corporation of TMX Group Inc. and The Canadian Depository for Securities Limited resulted in the transformation of Canada's not-for-profit securities clearing and settlement utility into a vertically-integrated for-profit clearing agency. The CSA recognize that it is necessary to prevent potential impediments to competition in clearing and settlement to ensure that the markets are fair and efficient.

In April 2012, the Committee for Payment and Settlement Systems (CPSS) of the Bank for International Settlements and the Technical Committee of the International Organization of Securities Commissions (IOSCO) published their report *Principles for financial market infrastructures* (PFMI Report).[17] The PFMI Report notes that competition among financial market infrastructures (such as clearing agencies) can be an important mechanism for facilitating efficient and low-cost services. The CPSS-IOSCO standards for the safe and efficient functioning of financial market infrastructures contained in the PFMI Report are currently being adopted by certain Canadian jurisdictions as ongoing regulatory requirements for recognized clearing agencies.[18]

Proposed subsection 13.2(2) of NI 21-101 limits the scope of subsection 13.2(1). Marketplace trades in standardized derivatives or exchange-traded securities that are options, would not be subject to the provision.

The CSA are not aware of any current plans by industry to develop or support competing clearing agencies that would serve domestic cash marketplaces. However, in the context of the Maple transactions we received strong stakeholder support for ensuring a regulatory framework that could allow for competition among clearing agencies. In the event that industry decides at some later stage that the benefits of competition would out-weigh the costs of supporting multiple clearing agencies, marketplaces should be required to accommodate any competition. The CSA recognize that should industry decide to support a multi-clearing agency environment in the Canadian cash markets, time will be needed by the relevant market infrastructures (i.e. marketplaces and clearing agencies) to consider and develop processes, interfaces and links to facilitate the clearing of cash market trades at multiple clearing agencies.

We seek stakeholder feedback on the above issues, and welcome your comments on proposed new section 13.2 of NI 21-101.

10. REQUIREMENTS APPLICABLE TO INFORMATION PROCESSORS

Background and Proposed Amendments

Part 14 *Requirements for an Information Processor* of NI 21-101 sets out the filing, systems and other requirements applicable to information processors.

Subsection 14.4(6) of NI 21-101 requires an information processor to file annual audited financial statements within 90 days after the end of its financial year. Subsection 14.4(7) requires an information processor to file its financial budget within 30 days after the start of a financial year. The purpose of these requirements is to ensure that CSA staff receive some of the information they need to assess the financial condition of the information processor.

We note that an information processor may be operated as a division or unit of another person or company. For example, the information processor for equity securities other than options is operated as a division of TMX Group Inc. Under the current requirements, the information processor may file the audited financial statements and the budget of its parent company, which may not include sufficient detail to enable us to assess the financial viability of the information processor unit.

For this reason, we have proposed amendments to Part 14 to require, if an information processor is operated as a division or unit of a person or company, the person or company to file the income statement, statement of cash flow and any other information necessary to demonstrate the financial condition of the information processor. Proposed subsection 14.4(6.1) of NI 21-101 requires that this information must be filed within 90 days after the end of the financial year of the person or company that operates the information processor. We do not propose to require that this financial information be audited, because this

[17] The PFMI Report is available on the Bank for International Settlements' website (www.bis.org) and the IOSCO website (www.iosco.org).

[18] See proposed OSC Rule 24-503 Clearing Agency Requirements, MSC Rule 24-503 *Clearing Agency Requirements*, and AMF Regulation 24-503 *Respecting clearing house, central securities depository and settlement system requirements*, together with their related companion policies.

information will be filed in addition to the audited financial statements of the person or company that operates the information processor.

We also have proposed subsection 14.4(7.1) of NI 21-101 that would require a person or company that operates an information processor as one of its divisions or units to file the financial budget of the information processor within 30 days from the beginning of the financial year of the person or company.

Finally, we have also proposed amendments to the systems requirements applicable to the information processor similar to those proposed for marketplace systems for consistency. Specifically, we have proposed amendments to subparagraph 14.5(d)(ii) to require an information processor to provide its independent systems review report within the earlier of 30 days of providing it to the board of directors or the audit committee, or 60 days after the calendar year end.

ANNEX B

AMENDMENTS TO NATIONAL INSTRUMENT 21-101 *MARKETPLACE OPERATION*

1. National Instrument 21-101 Marketplace Operation is amended by this Instrument.

2. National Instrument 21-101 Marketplace Operation is amended by replacing "shall***" wherever it occurs with "***must***".***

3. National Instrument 21-101 Marketplace operation is amended by replacing "*percent****" wherever it occurs with "%".***

4. Section 1 is amended by

(a) replacing "*;****" with "****,****" in paragraph (a)(iv) of the definition of marketplace, and***

(b) replacing "Accouting***" with "***Accounting***" in the definition of private enterprise.***

5. Section 1.4(2) is amended by replacing "*Commodity Futures Act****" wherever it occurs with "****Commodity Futures Act****".***

6. Section 3.2 is amended by

(a) adding "applicable***" after "***in the manner set out in the***" in subsection(1),***

(b) adding the following item after subsection (1):

(1.1) A marketplace that has entered into an agreement with a regulation services provider in accordance with NI 23-101 must not implement a significant change to a matter set out in Exhibit E – Operation of the Marketplace of Form 21-101F1 or Exhibit E – Operation of the Marketplace of Form 21-101F2 as applicable, or Exhibit I – Securities of Form 21-101F1 or Exhibit I – Securities of Form 21-101F2 as applicable, unless the marketplace has provided the filing to its regulation services provider at least 45 days before implementing the change.**,**

(c) adding "applicable***" after "***amendment to the information provided in the***" in subsection (3), and***

(d) adding the following item after subsection (3):

(4) The chief executive officer of a marketplace, or individual performing a similar function, must certify in writing, within 30 days after the end of each calendar year, that the information contained in the marketplace's current Form 21-101F1 or Form 21-101F2, as applicable, including the description of its operations, is true, correct, and complete and its operations have been implemented as described in the applicable Form.

(5) A marketplace must provide an updated and consolidated Form 21-101F1 or Form 21-101F2, as applicable, within 30 days after the end of each calendar year.**.**

7. Section 5.1 is amended by replacing "*;****" with "****,****" in subsections (2)(a) and (3)(a).***

8. Section 5.7 is amended by deleting an additional space after "not***".***

9. Section 5.10 is amended by

(a) adding the following item after subsection (1):

(1.1) Despite subsection (1), a marketplace may release a marketplace participant's order or trade information to a person or company if the marketplace has entered into a written agreement with each person or company that will receive the order and trade information that provides that

(a) the person or company must

(i) not disclose to or share any information with any person or company if that information could directly or indirectly, identify a marketplace participant or a client

of the marketplace participant without the marketplace's consent, other than as provided under subsection (1.3) below;

(ii) not publish or otherwise disseminate data or information that discloses, directly or indirectly, the transactions, trading strategies or market positions of a marketplace participant or a client of the marketplace participant;

(iii) not use the order and trade information or provide it to any other person or company for any purpose other than capital markets research;

(iv) keep the order and trade information securely stored at all times;

(v) keep the order and trade information only for a reasonable period of time after the completion of the research and publication process; and

(vi) immediately inform the marketplace of any breach or possible breach of the confidentiality of the information provided; and

(b) the marketplace has the right to take appropriate steps, that in the marketplace's sole discretion, are necessary to prevent or deal with a breach or possible breach of the confidentiality of the information provided or of the agreement.

(1.2) A marketplace that releases a marketplace participant's order or trade information pursuant to subsection (1.1) must

(a) promptly inform the regulator or, in Québec, the securities regulatory authority, in the event the marketplace becomes aware of any breach or possible breach of the confidentiality of the information provided or of the agreement; and

(b) take all appropriate steps that in the marketplace's sole discretion, are necessary against that person or company to prevent or deal with a breach or possible breach of the confidentiality of the information provided or of the agreement.

(1.3) A person or company that receives a marketplace participant's order or trade information from a marketplace pursuant to subsection (1.1) may disclose the order or trade information used in connection with research submitted to a publication if it has entered into a written agreement with the marketplace that provides that:

(a) the information the person or company will disclose is used for verification purposes only,

(b) the person or company must obtain written agreement from the publication or any person or company involved in the verification of the research to maintain the confidentiality of the information,

(c) the person or company must notify the marketplace prior to sharing the information for verification purposes, and

(d) the person or company must obtain written agreement from the publication or any person or company involved in the verification of the research that the publication or other person or company will immediately inform the marketplace of any breach or possible breach of the agreement or of the confidentiality of the information provided..

10. Section 5.12 is amended by

(a) deleting "**:**" after "**the marketplace must**" in the preamble,

(b) replacing "**key services and systems**" with "**key services or systems**" in subsections (b) and (c), and

(c) deleting "**,**" after "**on behalf of the marketplace**" in subsection (e).

11. Part 5 is amended by

(a) adding the following item:

5.13 Access Arrangements with a Service Provider

If a third party service provider provides a means of access to a marketplace, the marketplace must ensure the third party service provider complies with the written standards for access that the marketplace has established pursuant to paragraph 5.1(2)(a) when providing the access services..

12. Section 6.7(1) is amended by replacing "**;**" with "**,**" in subsections (a) and (b).

13. Section 7.1 is amended by adding the following item:

(3) A marketplace that is subject to subsection (1) must not make the information referred to in that subsection available to any other person or company before it makes that information available to the information processor or, if there is no information processor, to the information vendor..

14. Section 7.2 is amended by

(a) adding "**(1)**" before "**A marketplace must provide accurate and timely**", and

(b) adding the following item:

(2) A marketplace must not make the information referred to in subsection (1) available to any other person or company before it makes that information available to the information processor or, if there is no information processor, to the information vendor..

15. Subsection 8.1(5) is amended by replacing "**interdealer**" with "**inter-dealer**".

16. Section 8.6 is amended by replacing "**2015**" with "**2018**".

17. Section 10.1 is amended by

(a) adding "**,**" after "**disclose**",

(b) adding "**,**" after "**website**",

(c) adding "**,**" after "**or services it provides, including**",

(d) adding "**,**" after "**but not limited to**",

(e) deleting "**:**" after "**information related to**",

(f) replacing "**;**" wherever it occurs with "**,**",

(g) deleting "**; and**" in subsection (g) and replacing it with "**,**",

(h) replacing "**.**" with "**,**" in subsection (h), and

(i) adding the following items:

(i) any access arrangements with a third party service provider, including the name of the third party service provider and the standards for access to be complied with by the third party service provider, and

(j) the hours of operation of any testing environments provided by the marketplace, a description of any differences between the testing environment and production environment of the marketplace and the potential impact of these differences on the effectiveness of testing..

18. Section 11.2 is amended by replacing "**;**" with "**,**" in paragraph (c)(xviii).

19. Section 11.2.1 is amended by

(a) adding ", in the manner requested by the regulation services provider**" after "**the information required by the regulation services provider***" in subsection (a), and***

(b) adding ", in the manner requested by the securities regulatory authority***" after "***under securities legislation***" in subsection (b).***

20. Section 11.3(1) is amended by

(a) deleting "and***" in subsection (f),***

(b) replacing "." ***with "****; and****" after "***subsections 13.1(2) and 13.1(3)***" in subsection (g), and***

(c) adding the following items:

(h) a copy of any agreement referred to in section 5.10; and

(i) a copy of any agreement referred to in subsection 5.12(c)..

21. Section 12.1 is amended by

(a) replacing "For each of its systems that support***" with "***For each system, operated by or on behalf of the marketplace, that supports***",***

(b) replacing ";" with "," in paragraphs (a)(i), (a)(ii), (b)(i) and (b)(ii),

(c) replacing "malfunction or delay***" with "***malfunction, delay***" in subsection (c), and***

(d) adding the following after "delay***" in subsection (c):***

or security breach and provide timely updates on the status of the failure, malfunction, delay or security breach, the resumption of service and the results of the marketplace's internal review of the failure, malfunction, delay or security breach..

22. The following item is added after section 12.1:

12.1.1 Auxiliary Systems – For each system that shares network resources with one or more of the systems, operated by or on behalf of the marketplace, that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, that if breached, would pose a security threat to one or more of the aforementioned systems, a marketplace must

(a) develop and maintain an adequate system of information security controls that relate to the security threats posed to any system that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, and

(b) promptly notify the regulator, or in Québec, the securities regulatory authority and, if applicable, its regulation services provider, of any material security breach and provide timely updates on the status of the breach, the resumption of service, where applicable, and the results of the marketplace's internal review of the security breach..

23. Subsection 12.2(1) is replaced with:

(1) A marketplace must annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards to ensure that the marketplace is in compliance with

(a) paragraph 12.1(a);

(b) section 12.1.1; and

(c) section 12.4.

24. Subsection 12.2(2) is amended by

(a) adding "the earlier of***" before "***30 days***" in subsection (b), and***

(b) adding "or 60 days after the calendar year end***" after "***committee***" in subsection (b).***

25. Section 12.3 is amended by

(a) replacing "*Availability of*" with "*Marketplace*" in the title of the section,

(b) replacing subsection (3) with:

(3) A marketplace must not begin operations or implement a material change to its technology requirements until the later of

(a) three months after notification of the completion of the review of the marketplace's initial filing or change in information by the regulator, or in Québec, the securities regulatory authority, is provided to the marketplace, and

(b) a reasonable period of time after the regulator, or in Québec, the securities regulatory authority, has completed its review of the marketplace's initial filing or change in information and notified the marketplace of the completion of the review.**,**

(c) deleting "12.3***" in subsection (4), and***

(d) adding the following items after subsection (4):

(5) A marketplace must not begin operations before,

(a) it has complied with paragraphs (1)(a) and (2)(a),

(b) its regulation services provider, if applicable, has confirmed to the marketplace that trading may commence on the marketplace, and

(c) the chief information officer of the marketplace, or person performing a similar function, has certified in writing to the regulator, or in Québec, the securities regulatory authority, that all information technology systems used by the marketplace have been tested according to prudent business practices and are operating as designed.

(6) A marketplace must not implement a material change to its technology requirements before,

(a) it has complied with paragraphs (1)(b) and (2)(b), and

(b) the chief information officer of the marketplace, or individual performing a similar function, has certified in writing to the regulator, or in Québec, the securities regulatory authority, that the change has been tested according to prudent business practices and is operating as designed.

(7) Subsection (6) does not apply to a marketplace if the change must be made immediately to address a failure, malfunction or material delay of its systems or equipment if the marketplace immediately notifies the regulator, or in Québec, the securities regulatory authority, of its intention to make the change.**.**

26. Part 12 is amended by adding the following item after section 12.3:

12.3.1 Uniform Test Symbols

A marketplace must use uniform test symbols, as set by a regulator, or in Québec, the securities regulatory authority, for the purpose of performing testing in its production environment.**.**

27. Section 12.4 is replaced with the following item:

12.4 Business Continuity Planning

(1) A marketplace must

(a) develop and maintain reasonable business continuity plans, including disaster recovery plans,

(b) test its business continuity plans, including disaster recovery plans, according to prudent business practices and on a reasonably frequent basis and, in any event, at least annually, and

(2) A marketplace with a total trading volume in any type of security equal to or greater than 10% of the total dollar value of the trading volume in that type of security on all marketplaces in Canada during at least two of the preceding three months of operations must ensure that each system, operated by or on behalf of the marketplace, that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, and trade clearing can resume operations within two hours following the declaration of a disaster by the marketplace.

(3) A recognized exchange or quotation and trade reporting system that directly monitors the conduct of its members or users and enforces requirements set under section 7.1(1) or 7.3(1) of NI 23-101 must ensure that each system, operated by or on behalf of the marketplace, that is critical and supports real-time market surveillance can resume operations within two hours following the declaration of a disaster at the primary site by the exchange or quotation and trade reporting system.

(4) A regulation services provider that has entered into a written agreement with a marketplace to conduct market surveillance for the marketplace must ensure that each system, operated by or on behalf of the regulation services provider, that is critical and supports real-time market surveillance can resume operations within two hours following the declaration of a disaster at the primary site by the regulation services provider..

28. Part 12 is amended by adding the following item after section 12.4:

12.4.1 Industry-Wide Business Continuity Tests

A marketplace, recognized clearing agency, information processor, and marketplace participant must participate in all industry-wide business continuity tests, as determined by a regulation services provider, regulator, or in Québec, the securities regulatory authority..

29. Part 13 is amended by:

(a) replacing "and settled***" with "***to a clearing agency***" in subsections (2) and (3) in section 13.1, and***

(b) adding the following item after section 13.1:

13.2 Access to Clearing Agency of Choice

(1) A marketplace must report a trade in a security to a clearing agency designated by a marketplace participant.

(2) Subsection (1) does not apply to a trade in a security that is a standardized derivative or an exchange-traded security that is an option..

30. Section 14.4 is amended by

(a) adding "or changes to an electronic connection***" after "***in a timely manner an electronic connection***" in subsection (4),***

(b) adding the following item after subsection (6):

(6.1) If an information processor is operated as a division or unit of a person or company, the person or company must file the income statement and the statement of cash flow of the information processor

and any other information necessary to demonstrate the financial condition of the information processor within 90 days after the end of the financial year of the person or company.***, and***

(c) adding the following item after subsection (7):

(7.1) If an information processor is operated as a division or unit of a person or company, the person or company must file the financial budget relating to the information processor within 30 days after the start of the financial year of the person or company..

30. Section 14.5 is amended by

(a) replacing ";***" wherever it occurs with "***,***", and***

(b) adding "the earlier of***" before "***30 days***" and adding "***or 60 days after the calendar year end***," after "***audit committee***" in paragraph (d)(ii).***

31. Section 14.6 is replaced by the following item:

14.6 Business Continuity Planning

An information processor must

(1) develop and maintain reasonable business continuity plans, including disaster recovery plans,

(2) test its business continuity plans, including disaster recovery plans, according to prudent business practices and on a reasonably frequent basis and, in any event, at least annually, and

(3) ensure that its critical systems can resume operations within one hour following the declaration of a disaster by the information processor..

32. Section 14.7 is amended by

(a) replacing "with this Instrument, or other than a securities regulatory authority, unless:***" with "***with this Instrument or a securities regulatory authority, unless***" and***

(b) replacing ";***" with "***,***" in subsection (a).***

33. Section 14.8 is amended by

(a) deleting ":***" after "***but not limited to***", and***

(b) replacing ";***" wherever it occurs with "***,***".***

34. Form 21-101F1 Information Statement Exchange or Quotation and Trade Reporting System is amended by

(a) replacing "shall***" wherever it occurs with "***must***",***

(b) replacing "should***" wherever it occurs with "***must***",***

(c) adding "; AMENDMENT No.***" after "***AMENDMENT***" in Type of Filing,***

(d) replacing "percent***" with "***%***" in Exhibit B,***

(e) adding "and the Board mandate***" after "***including their mandates***" in Exhibit C,***

(f) deleting ":***" wherever it occurs in Exhibit D,***

(g) deleting ";***" wherever it occurs in Exhibit D,***

(h) adding ",***" after "***private enterprises***" in Exhibit D,***

(i) replacing "not be limited***" with "***is not limited***" in Exhibit E,***

(j) replacing "Description***" wherever it occurs in Exhibit E with "***A description***",***

(k) adding the following to the end of Exhibit E:

The filer must provide all material contracts related to order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing.**,**

(l) adding ",***" after "***execution, data***" in Exhibit F,***

(m) adding the following item at the end of Exhibit F:

4. A copy of the marketplace's policies and procedures for the selection of service providers to which key services and systems may be outsourced and for the evaluation and approval of such outsourcing arrangements that are established and maintained pursuant to subsection 5.12(a) of National Instrument 21-101 *Marketplace Operation*.

5. A description of any conflicts of interest between the marketplace and the service provider to which key services and systems are outsourced and a copy of the policies and procedures to mitigate and manage such conflicts of interest that have been established pursuant to subsection 5.12(b) of National Instrument 21-101 *Marketplace Operation*.

6. A description of the measures the marketplace has taken pursuant to subsection 5.12(f) of National Instrument 21-101 *Marketplace Operation* to ensure that the service provider has established, maintains and periodically tests an appropriate business continuity plan, including a disaster recovery plan.

7. A description of the measures the marketplace has taken pursuant to subsection 5.12(g) of National Instrument 21-101 *Marketplace Operation* to ensure that the service provider protects the proprietary, order, trade or any other confidential information of the participants of the marketplace.

8. A copy of the marketplace's processes and procedures to regularly review the performance of a service provider under an outsourcing arrangement that are established pursuant to subsection 5.12(h) of National Instrument 21-101 *Marketplace Operation*.**,**

(n) replacing Exhibit G with the following:

General

Provide:

1. A high level description of the marketplace's systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, co-location and if applicable, market surveillance and trade clearing.

2. An organization chart of the marketplace's information technology group.

Business Continuity Planning

Please describe:

1. Where the primary processing site is located,

2. What the approximate percentage of hardware, software, and network redundancy is at the primary site,

3. If there is an uninterruptible power source (UPS) at the primary site,

4. How frequently market data is stored off-site,

5. Whether the marketplace has a secondary processing site and, if so, the location of the secondary processing site,

6. The filer's business continuity plan, including the disaster recovery plan. Please provide any relevant documentation,

7. How frequently the business continuity and disaster recovery plans are tested,

8. The targeted time to resume operations of critical information technology systems following the declaration of a disaster by the marketplace,

9. Any single points of failure faced by the marketplace.

Systems Capacity

Please describe:

1. How frequently future market activity is evaluated in order to adjust processing capacity,

2. The approximate excess capacity maintained over average daily transaction volumes,

3. How often or at what point stress testing is performed.

Systems

Please describe:

1. Whether the trading engine was developed in-house or by a commercial vendor,

2. Whether the trading engine is maintained in-house or by a commercial vendor and provide the name of the commercial vendor, if applicable,

3. The marketplace's networks. Please provide a copy of the network diagram used in-house that covers order entry, real-time market data and transmission,

4. The message protocols supported by the marketplace's systems,

5. The transmission protocols used by the marketplace's systems.

IT Risk Assessment

Please describe the IT risk assessment framework, including:

1. How the probability and likelihood of IT threats are considered,

2. How the impact of risks are measured according to qualitative and quantitative criteria,

3. The documentation process for acceptable residual risks with related offsets, and

4. The development of management's action plan to implement a risk response to a risk that has not been accepted.**,**

(o) ***replacing "***Filer***" wherever it occurs with "***filer***" in Exhibit I,***

(p) ***replacing "***Exhibit E.4***" with "***Exhibit E item 4***" in Exhibit J,***

(q) ***adding "***Please identify if the marketplace participant accesses the marketplace through co-location.***" after "***or other access.***" in item 4 of Exhibit K,***

(r) ***deleting ":" after "***indicating for each***" in item 5 of Exhibit K,***

(s) ***replacing ";" wherever it occurs with ",", in item 5 of Exhibit K,***

(t) ***adding "***a copy of***" after "***and its members, provide***" in item 2 of Exhibit M,***

(u) ***deleting "." after "***regulation services provider***" in the second box of Exhibit M, and***

(v) ***adding "****Marketplace Operation****" after "***21-101***" in Exhibit N.***

35. Form 21-101F2 Initial Operation Report Alternative Trading System is amended by

(a) replacing "Initial Operation Report***" with "***Information Statement***" in the title,***

(b) replacing "should***" wherever it occurs with "***must***" in the Form,***

(c) replacing "shall***" wherever it occurs with "***must***" in the Form,***

(d) adding "; AMENDMENT No.***" after "***AMENDMENT***" in Type of Filing,***

(e) adding "name of***" after "***[***" in item 12 of Type of Filing,***

(f) replacing "percent***" with "***%***" in Exhibit B,***

(g) replacing "*not be****" with "****is not****" in Exhibit E,***

(h) replacing "Description***" wherever it occurs with "***A description***" in Exhibit E,***

(i) adding the following to the end of Exhibit E:

The filer must provide all material contracts relating to order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing.***,***

(j) deleting "the***" after "***including any function associated with***" in Exhibit F,***

(k) adding "data***" after "***clearing and settlement,***" in Exhibit F,***

(l) adding the following items after item (3) in Exhibit F:

4. A copy of the marketplace's policies and procedures for the selection of service providers to which key services and systems may be outsourced and for the evaluation and approval of such outsourcing arrangements that are established and maintained pursuant to subsection 5.12(a) of National Instrument 21-101 *Marketplace Operation*.

5. A description of any conflicts of interest between the marketplace and the service provider to which key services and systems are outsourced and a copy of the policies and procedures to mitigate and manage such conflicts of interest that have been established pursuant to subsection 5.12(b) of National Instrument 21-101 *Marketplace Operation*.

6. A description of the measures the marketplace has taken pursuant to subsection 5.12(f) of National Instrument 21-101 *Marketplace Operation* to ensure that the service provider has established, maintains and periodically tests an appropriate business continuity plan, including a disaster recovery plan.

7. A description of the measures the marketplace has taken pursuant to subsection 5.12(g) of National Instrument 21-101 *Marketplace Operation* to ensure that the service provider protects the proprietary order, trade or any other confidential information of the participants of the marketplace.

8. A copy of the marketplace's processes and procedures to regularly review the performance of a service provider under an outsourcing arrangement that are established pursuant to subsection 5.12(h) of National Instrument 21-101 *Marketplace Operation*.***,***

(m) replacing Exhibit G with the following:

General

Provide:

1. A high level description of the marketplace's systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, co-location and if applicable, market surveillance and trade clearing.

2. An organization chart of the marketplace's information technology group.

Business Continuity Planning

Describe:

1. Where the primary processing site is located,
2. What the approximate percentage of hardware, software, and network redundancy is at the primary site,
3. If there is an uninterruptible power source (UPS) at the primary site,
4. How frequently market data is stored off-site,
5. Whether the marketplace has a secondary processing site and, if so, the location of the secondary processing site,
6. The filer's business continuity plan, including the disaster recovery plan. Please provide any relevant documentation,
7. How frequently the business continuity and disaster recovery plans are tested,
8. The targeted time to resume operations of critical information technology systems following the declaration of a disaster by the marketplace,
9. Any single points of failure faced by the marketplace.

Systems Capacity

Describe:

1. How frequently future market activity is evaluated in order to adjust processing capacity,
2. The approximate excess capacity maintained over average daily transaction volumes,
3. How often or at what point stress testing is performed.

Systems

Describe:

1. Whether the trading engine was developed in-house or by a commercial vendor,
2. Whether the trading engine is maintained in-house or by a commercial vendor and provide the name of the commercial vendor, if applicable,
3. The marketplace's networks. Please provide a copy of the network diagram used in-house that covers order entry, real-time market data and transmission,
4. The message protocols supported by the marketplace's systems,
5. The transmission protocols used by the marketplace's systems.

IT Risk Assessment

Describe the IT risk assessment framework, including:

1. How the probability and likelihood of IT threats are considered,
2. How the impact of risks are measured according to qualitative and quantitative criteria,
3. The documentation process for acceptable residual risks with related offsets, and

4. The development of management's action plan to implement a risk response to a risk that has not been accepted.*,*

(n) ***adding "***list***" after "***If this is an initial filing,***" in Exhibit I,***

(o) ***replacing "***Exhibit E.4***" with "***Exhibit E item 4***" in item 1 of Exhibit J,***

(p) ***deleting "***,***" after "***institution***" in item 2 of Exhibit J,***

(q) ***adding "***Identify if the marketplace participant accesses the marketplace through co-location.***" after "***access.***" in item 4 of Exhibit K,***

(r) ***deleting "***:***" after "***for each***" in item 5 of Exhibit K, and***

(s) ***replacing "***;***" wherever it occurs with "***,***" in item 5 of Exhibit K,***

(t) ***adding "****Marketplace Operation****" after "***21-101***" in Exhibit N, and***

36. Form 21-101F3 Quarterly Report of Marketplace Activities is amended by

(a) ***replacing "***should***" wherever it occurs with "***must***" in the Form,***

(b) ***replacing item 4 with the following:***

4. A list of all amendments in the information in Form 21-101F1 or 21-101F2 that were filed with the Canadian securities regulatory authorities and implemented during the period covered by the report. The list must include a brief description of each amendment, the date filed and the date implemented.*,*

(c) ***replacing item 5 with the following:***

5. A list of all amendments in the information in Form 21-101F1 or 21-101F2 that have been filed with the Canadian securities regulatory authorities but not implemented as of the end of the period covered by the report. The list must include a brief description of each amendment, the date filed and the reason why it was not implemented.*,*

(d) ***adding the following items after item 5:***

6. Systems – If any outages occurred at any time during the period for any system relating to trading activity, including trading, routing or data, provide the date, duration, reason for the outage and its resolution.

7. Systems Changes – A brief description of any significant changes to the systems and technology used by the marketplace that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, co-location and if applicable, market surveillance and trade clearing that were planned, under development, or implemented during the quarter. Please provide the current status of the changes that are under development.*,*

(e) ***deleting "***%***" wherever it occurs in Chart 2 of Section 1 of Part B,***

(f) ***deleting "***% Number of exchange traded securities that are***" in Chart 2 of Section 1 of Part B,***

(g) ***deleting "***%***" wherever it occurs in Chart 3 of Section 1 of Part B,***

(h) ***replacing "***third-party***" with "***third party***" in item 6 of Section 1 of Part B,***

(i) ***deleting item 7 of Section 1 of Part B,***

(j) ***adding "***during the quarter***" after "***regular trading hours***" in item 1 of Section 2 of Part B,***

(k) ***replacing "***the 10 most traded fixed income securities***" with "***each fixed income security traded***" in item 2 of Section 2 of Part B,***

(l) ***deleting "***(based on the value of the volume traded) for trades executed***" in item 2 of Section 2 of Part B,***

(m) ***replacing Chart 8 of Section 2 of Part B with the following chart:***

Chart 8 – Traded fixed income securities

Category of Securities	Value Traded	Number of Trades
Domestic Unlisted Debt Securities – **Government** 1. Federal [Enter issuer, maturity, coupon]		
2. Federal Agency [Enter issuer, maturity, coupon]		
3. Provincial and Municipal [Enter issuer, maturity, coupon]		
Domestic Unlisted Debt Securities – **Corporate** [Enter issuer, maturity, coupon]		
Domestic Unlisted Debt Securities – **Other** [Enter issuer, maturity, coupon]		
Foreign Unlisted Debt Securities – **Government** [Enter issuer, maturity, coupon]		
Foreign Unlisted Debt Securities – **Corporate** [Enter issuer, maturity, coupon]		
Foreign Unlisted Debt Securities – **Other** [Enter issuer, maturity, coupon]		

(n) ***deleting "***%***" wherever it occurs in Charts 15 and 16 of Section 4 of Part B,***

(o) ***deleting "***of***" in Chart 15 of Section 4 of Part B, and***

(p) ***deleting item 6 of Section 4 of Part B.***

37. ***Form 21-101F4 Cessation Of Operations Report For Alternative Trading System is amended by replacing "****shall****" with "****must****".***

38. ***Form 21-101F5 Initial Operation Report for Information Processor is amended by***

(a) ***replacing "***Initial Operation Report for***" with "***Information Statement***" in the title,***

(b) ***adding "***: AMENDMENT No.***" after "***AMENDMENT***" in Type of Filing,***

(c) ***replacing "***should***" wherever it occurs with "***must***" in the Form,***

(d) ***replacing "***shall***" wherever it occurs with "***must***" in the Form,***

(e) ***adding "**,**" after "**National Instrument 21-101**" under the heading "Exhibits",***

(f) ***adding "**,**" after "**standing committees of the board**" and after "**previous year**" in item 1 of Exhibit C,***

(g) ***replacing "**system**" with "**System**" in item 3 of section 1 of Exhibit G,***

(h) ***replacing "**Description**" with "**A description**" in item 5 of section 1 of Exhibit G,***

(i) ***replacing "**exists**" with "**exist**" in item 2 of Exhibit J,***

(j) ***adding "**provide**" after "**National Instrument 21-101**" in item 2 of Exhibit J,***

(k) ***replacing "**who**" with "**that**" in item 3 of Exhibit K.***

39. ***Form 21-101F6 Cessation of Operations Report for Information Processor is amended by replacing "**shall**" with "**must**".***

40. This Instrument comes into force on •.

AMENDMENTS TO NATIONAL INSTRUMENT 23-101 *TRADING RULES*

1. National Instrument 23-101 Trading Rules is amended by this Instrument.

2. Section 6.8 is amended by adding ", except for paragraph 6.3(1)(c),***" after "***In Québec, this Part***".***

3. The following item is added after subsection 7.1(2):

(3) If a recognized exchange has entered into a written agreement with a regulation services provider, the recognized exchange must set requirements that are necessary for the regulation services provider to be able to effectively monitor trading on the recognized exchange and across marketplaces as required by the regulation services provider..

4. Section 7.2 is replaced with the following item:

7.2 Agreement between a Recognized Exchange and a Regulation Services Provider – A recognized exchange that monitors the conduct of its members indirectly through a regulation services provider shall enter into a written agreement with the regulation services provider which provides that the regulation services provider will:

(a) monitor the conduct of the members of the recognized exchange,

(b) monitor the compliance of the recognized exchange with the requirements set under subsection 7.1(3),

(c) enforce the requirements set under subsection 7.1(1)..

5. The following item is added after section 7.2:

7.2.1 Obligations of a Recognized Exchange to a Regulation Services Provider – A recognized exchange that has entered into a written agreement with a regulation services provider must

(a) transmit to the regulation services provider the information required under Part 11 of NI 21-101 and any information reasonably required by the regulation services provider in the form and manner requested by the regulation services provider to effectively monitor:

(i) the conduct of and trading by marketplace participants on and across marketplaces, including the compliance of marketplace participants with the requirements set under subsection 7.1(1), and

(ii) the conduct of the recognized exchange, including the compliance of the recognized exchange with the requirements set under subsection 7.1(3); and

(b) comply with all orders or directions made by the regulation services provider..

6. The following item is added after subsection 7.3(2):

(3) If a recognized quotation and trade reporting system has entered into a written agreement with a regulation services provider, the recognized quotation and trade reporting system must set requirements that are necessary for the regulation services provider to be able to effectively monitor trading on the recognized quotation and trade reporting system and across marketplaces as required by the regulation services provider..

7. Section 7.4 is replaced with the following:

7.4 Agreement between a Recognized Quotation and Trade Reporting System and a Regulation Services Provider – A recognized quotation and trade reporting system that monitors the conduct of its users indirectly through a regulation services provider shall enter into a written agreement with the regulation services provider which provides that the regulation services provider will

(a) monitor the conduct of the users of the recognized quotation and trade reporting system,

(b) monitor the compliance of the recognized quotation and trade reporting system with the requirements set under subsection 7.3(3), and

(c) enforce the requirements set under subsection 7.3(1)..

8. The following item is added after section 7.4:

7.4.1 Obligations of a Quotation and Trade Reporting System to a Regulation Services Provider – A recognized quotation and trade reporting system that has entered into a written agreement with a regulation services provider must

(a) transmit to the regulation services provider the information required under Part 11 of NI 21-101 and any information reasonably required by the regulation services provider in the form and manner requested by the regulation services provider to effectively monitor:

(i) the conduct of and trading by marketplace participants on and across marketplaces, including the compliance of marketplace participants with the requirements set under subsection 7.3(1), and

(ii) the conduct of the recognized quotation and trade reporting system, including the compliance of the recognized quotation and trade reporting system with the requirements set under subsection 7.3(3); and

(b) comply with all orders or directions made by the regulation services provider..

9. This Instrument comes into force on •.

ANNEX C

NATIONAL INSTRUMENT 21-101
MARKETPLACE OPERATION

PART 1 DEFINITIONS AND INTERPRETATION

1.1 Definitions – In this Instrument

“accounting principles” means accounting principles as defined in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;

"alternative trading system",

(a) in every jurisdiction other than Ontario, means a marketplace that

(i) is not a recognized quotation and trade reporting system or a recognized exchange, and

(ii) does not

(A) require an issuer to enter into an agreement to have its securities traded on the marketplace,

(B) provide, directly, or through one or more subscribers, a guarantee of a two-sided market for a security on a continuous or reasonably continuous basis,

(C) set requirements governing the conduct of subscribers, other than conduct in respect of the trading by those subscribers on the marketplace, and

(D) discipline subscribers other than by exclusion from participation in the marketplace, and

(b) in Ontario has the meaning set out in subsection 1(1) of the *Securities Act* (Ontario);

"ATS" means an alternative trading system;

"corporate debt security" means a debt security issued in Canada by a company or corporation that is not listed on a recognized exchange or quoted on a recognized quotation and trade reporting system or listed on an exchange or quoted on a quotation and trade reporting system that has been recognized for the purposes of this Instrument and NI 23-101, and does not include a government debt security;

"exchange-traded security" means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of this Instrument and NI 23-101;

"foreign exchange-traded security" means a security that is listed on an exchange, or quoted on a quotation and trade reporting system, outside of Canada that is regulated by an ordinary member of the International Organization of Securities Commissions and is not listed on an exchange or quoted on a quotation and trade reporting system in Canada;

"government debt security" means

(a) a debt security issued or guaranteed by the government of Canada, or any province or territory of Canada,

(b) a debt security issued or guaranteed by any municipal corporation or municipal body in Canada, or secured by or payable out of rates or taxes levied under the law of a jurisdiction of Canada on property in the jurisdiction and to be collected by or through the municipality in which the property is situated,

(c) a debt security issued or guaranteed by a crown corporation or public body,

(d) in Ontario, a debt security of any school board in Ontario or of a corporation established under section 248(1) of the *Education Act* (Ontario), or

(e) in Québec, a debt security of the Comité de gestion de la taxe scolaire de l'île de Montréal

that is not listed on a recognized exchange or quoted on a recognized quotation and trade reporting system or listed on an exchange or quoted on a quotation and trade reporting system that has been recognized for the purposes of this Instrument and NI 23-101;

“IIROC” means the Investment Industry Regulatory Organization of Canada;

"information processor" means any person or company that receives and provides information under this Instrument and has filed Form 21-101F5;

"inter-dealer bond broker" means a person or company that is approved by IIROC under IIROC Rule 36 Inter-Dealer Bond Brokerage Systems, as amended, and is subject to IIROC Rule 36 and IIROC Rule 2100 Inter-Dealer Bond Brokerage Systems, as amended;

"market integrator" [repealed]

"marketplace",

(a) in every jurisdiction other than Ontario, means

(i) an exchange,

(ii) a quotation and trade reporting system,

(iii) a person or company not included in clause (i) or (ii) that

(A) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,

(B) brings together the orders for securities of multiple buyers and sellers, and

(C) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or

(iv) a dealer that executes a trade of an exchange-traded security outside of a marketplace, but does not include an inter-dealer bond broker~~;~~, and

(b) in Ontario has the meaning set out in subsection 1(1) of the *Securities Act* (Ontario);

"marketplace participant" means a member of an exchange, a user of a quotation and trade reporting system, or a subscriber of an ATS;

“member” means, for a recognized exchange, a person or company

(a) holding at least one seat on the exchange, or

(b) that has been granted direct trading access rights by the exchange and is subject to regulatory oversight by the exchange,

and the person or company’s representatives;

"NI 23-101" means National Instrument 23-101 *Trading Rules*;

"order" means a firm indication by a person or company, acting as either principal or agent, of a willingness to buy or sell a security;

“private enterprise” means a private enterprise as defined in Part 3 of National Instrument 52-107 *Acceptable ~~Accouting~~Accounting Principles and Auditing Standards*;

“publicly accountable enterprise” means a publicly accountable enterprise as defined in Part 3 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards;*

"recognized exchange" means

(a) in Ontario, a recognized exchange as defined in subsection 1(1) of the *Securities Act* (Ontario),

(b) in Québec, an exchange recognized by the securities regulatory authority under securities or derivatives legislation as an exchange or self-regulatory organization, and

(c) in every other jurisdiction, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

"recognized quotation and trade reporting system" means

(a) in every jurisdiction other than British Columbia, Ontario and Québec, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system,

(b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange,

(b.1) in Ontario, a recognized quotation and trade reporting system as defined in subsection 1(1) of the *Securities Act* (Ontario), and

(c) in Québec, a quotation and trade reporting system recognized by the securities regulatory authority under securities or derivatives legislation as an exchange or a self-regulatory organization;

"regulation services provider" means a person or company that provides regulation services and is

(a) a recognized exchange,

(b) a recognized quotation and trade reporting system, or

(c) a recognized self-regulatory entity;

"self-regulatory entity" means a self-regulatory body or self-regulatory organization that

(a) is not an exchange, and

(b) is recognized as a self-regulatory body or self-regulatory organization by the securities regulatory authority;

"subscriber" means, for an ATS, a person or company that has entered into a contractual agreement with the ATS to access the ATS for the purpose of effecting trades or submitting, disseminating or displaying orders on the ATS, and the person or company's representatives;

"trading fee" means the fee that a marketplace charges for execution of a trade on that marketplace;

"trading volume" means the number of securities traded;

"unlisted debt security" means a government debt security or corporate debt security; and

"user" means, for a recognized quotation and trade reporting system, a person or company that quotes orders or reports trades on the recognized quotation and trade reporting system, and the person or company's representatives.

1.2 Interpretation – Marketplace ii For the purpose of the definition of "marketplace" in section 1.1, a person or company is not considered to constitute, maintain or provide a market or facilities for bringing together buyers and sellers of securities, solely because the person or company routes orders to a marketplace or a dealer for execution.

1.3 Interpretation – Affiliated Entity, Controlled Entity and Subsidiary Entity

(1) In this Instrument, a person or company is considered to be an affiliated entity of another person or company if one is a subsidiary entity of the other or if both are subsidiary entities of the same person or company, or if each of them is a controlled entity of the same person or company.

(2) In this Instrument, a person or company is considered to be controlled by a person or company if

(a) in the case of a person or company,

(i) voting securities of the first-mentioned person or company carrying more than 50 ~~percent~~% of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or company, and

(ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned person or company;

(b) in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned person or company holds more than 50 ~~percent~~% of the interests in the partnership; or

(c) in the case of a limited partnership, the general partner is the second-mentioned person or company.

(3) In this Instrument, a person or company is considered to be a subsidiary entity of another person or company if

(a) it is a controlled entity of,

(i) that other,

(ii) that other and one or more persons or companies each of which is a controlled entity of that other, or

(iii) two or more persons or companies, each of which is a controlled entity of that other; or

(b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

1.4 Interpretation – Security

(1) In Alberta and British Columbia, the term "security", when used in this Instrument, includes an option that is an exchange contract but does not include a futures contract.

(2) In Ontario, the term "security", when used in this Instrument, does not include a commodity futures contract or a commodity futures option that is not traded on a commodity futures exchange registered with or recognized by the Commission under the *Commodity Futures Act* or the form of which is not accepted by the Director under the *Commodity Futures Act*.

(3) In Québec, the term “security”, when used in this Instrument, includes a standardized derivative as this notion is defined in the *Derivatives Act*.

1.5 Interpretation – NI 23-101

Terms defined or interpreted in NI 23-101 and used in this Instrument have the respective meanings ascribed to them in NI 23-101.

PART 2 APPLICATION

2.1 Application – This Instrument does not apply to a marketplace that is a member of a recognized exchange or a member of an exchange that has been recognized for the purposes of this Instrument and NI 23-101.

PART 3 MARKETPLACE INFORMATION

3.1 Initial Filing of Information

(1) A person or company must file as part of its application for recognition as an exchange or a quotation and trade reporting system Form 21-101F1.

(2) A person or company must not carry on business as an ATS unless it has filed Form 21-101F2 at least 45 days before the ATS begins to carry on business as an ATS.

3.2 Change in Information

(1) Subject to subsection (2), a marketplace must not implement a significant change to a matter set out in Form 21-101F1 or in Form 21-101F2 unless the marketplace has filed an amendment to the information provided in Form 21-101F1 or in Form 21-101F2 in the manner set out in the ~~Form~~applicable Form at least 45 days before implementing the change.

(1.1) A marketplace that has entered into an agreement with a regulation services provider in accordance with NI 23-101 must not implement a significant change to a matter set out in Exhibit E – Operation of the Marketplace of Form 21-101F1 or Exhibit E – Operation of the Marketplace of Form 21-101F2 as applicable, or Exhibit I – Securities of Form 21-101F1 or Exhibit I – Securities of Form 21-101F2 as applicable, unless the marketplace has provided the filing to its regulation services provider at least 45 days before implementing the change.

(2) A marketplace must file an amendment to the information provided in Exhibit L – Fees of Form 21-101F1 or Exhibit L – Fees of Form 21-101F2, as applicable, at least seven business days before implementing a change to the information provided in Exhibit L – Fees.

(3) For any change involving a matter set out in Form 21-101F1 or Form 21-101F2 other than a change referred to in subsection (1) or (2), a marketplace must file an amendment to the information provided in the applicable Form by the earlier of

(a) the close of business on the 10th day after the end of the month in which the change was made, and

(b) if applicable, the time the marketplace discloses the change publicly.

(4) The chief executive officer of a marketplace, or individual performing a similar function, must certify in writing, within 30 days after the end of each calendar year, that the information contained in the marketplace's current Form 21-101F1 or Form 21-101F2, as applicable, including the description of its operations, is true, correct, and complete and its operations have been implemented as described in the applicable Form.

(5) A marketplace must provide an updated and consolidated Form 21-101F1 or Form 21-101F2, as applicable, within 30 days after the end of each calendar year.

3.3 Reporting Requirements

A marketplace must file Form 21-101F3 within 30 days after the end of each calendar quarter during any part of which the marketplace has carried on business.

3.4 Ceasing to Carry on Business as an ATS

(1) An ATS that intends to cease carrying on business as an ATS must file a report on Form 21-101F4 at least 30 days before ceasing to carry on that business.

(2) An ATS that involuntarily ceases to carry on business as an ATS must file a report on Form 21-101F4 as soon as practicable after it ceases to carry on that business.

3.5 Forms Filed in Electronic Form

A person or company that is required to file a form or exhibit under this Instrument must file that form or exhibit in electronic form.

PART 4 MARKETPLACE FILING OF AUDITED FINANCIAL STATEMENTS

4.1 Filing of Initial Audited Financial Statements

(1) A person or company must file as part of its application for recognition as an exchange or a quotation and trade reporting system, together with Form 21-101F1, audited financial statements for its latest financial year that

(a) are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises or IFRS,

(b) include notes to the financial statements that identify the accounting principles used to prepare the financial statements, and

(c) are audited in accordance with Canadian GAAS or International Standards on Auditing and are accompanied by an auditor's report.

(2) A person or company must not carry on business as an ATS unless it has filed, together with Form 21-101F2, audited financial statements for its latest financial year.

4.2 Filing of Annual Audited Financial Statements

(1) A recognized exchange and a recognized quotation and trade reporting system must file annual audited financial statements within 90 days after the end of its financial year in accordance with the requirements outlined in subsection 4.1(1).

(2) An ATS must file annual audited financial statements.

PART 5 MARKETPLACE REQUIREMENTS

5.1 Access Requirements

(1) A marketplace must not unreasonably prohibit, condition or limit access by a person or company to services offered by it.

(2) A marketplace must

(a) establish written standards for granting access to each of its services~~;~~, and

(b) keep records of

(i) each grant of access including the reasons for granting access to an applicant, and

(ii) each denial or limitation of access, including the reasons for denying or limiting access to an applicant.

(3) A marketplace must not

(a) permit unreasonable discrimination among clients, issuers and marketplace participants~~;~~, or

(b) impose any burden on competition that is not reasonably necessary and appropriate.

5.2 No Restrictions on Trading on Another Marketplace – A marketplace ~~shall~~must not prohibit, condition, or otherwise limit, directly or indirectly, a marketplace participant from effecting a transaction on any marketplace.

5.3 Public Interest Rules

(1) Rules, policies and other similar instruments adopted by a recognized exchange or a recognized quotation and trade reporting system

(a) ~~shall~~must not be contrary to the public interest; and

(b) ~~shall~~must be designed to

(i) ensure compliance with securities legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade, and

(iv) foster co-operation and co-ordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating, transactions in securities.

(2) **[repealed]**

5.4 Compliance Rules – A recognized exchange or a recognized quotation and trade reporting system ~~shall~~must have rules or other similar instruments that

(a) require compliance with securities legislation; and

(b) provide appropriate sanctions for violations of the rules or other similar instruments of the exchange or quotation and trade reporting system.

5.5 Filing of Rules – A recognized exchange or a recognized quotation and trade reporting system ~~shall~~must file all rules, policies and other similar instruments, and all amendments thereto.

5.6 [repealed]

5.7 Fair and Orderly Markets – A marketplace must take all reasonable steps to ensure that its operations do not interfere with fair and orderly markets.

5.8 Discriminatory Terms – A marketplace must not impose terms that have the effect of discriminating between orders that are routed to the marketplace and orders that are entered on that marketplace for execution.

5.9 Risk Disclosure for Trades in Foreign Exchange-Traded Securities

(1) A marketplace that is trading foreign exchange-traded securities must provide each marketplace participant with disclosure in substantially the following words:

"The securities traded by or through the marketplace are not listed on an exchange in Canada and may not be securities of a reporting issuer in Canada. As a result, there is no assurance that information concerning the issuer is available or, if the information is available, that it meets Canadian disclosure requirements."

(2) Before the first order for a foreign exchange-traded security is entered onto the marketplace by a marketplace participant, the marketplace must obtain an acknowledgement from the marketplace participant that the marketplace participant has received the disclosure required in subsection (1).

5.10 Confidential Treatment of Trading Information

(1) A marketplace must not release a marketplace participant's order or trade information to a person or company, other than the marketplace participant, a securities regulatory authority or a regulation services provider unless

(a) the marketplace participant has consented in writing to the release of the information~~;~~,

(b) the release of the information is required by this Instrument or under applicable law~~;~~, or

(c) the information has been publicly disclosed by another person or company, and the disclosure was lawful.

(1.1) Despite subsection (1), a marketplace may release a marketplace participant's order or trade information to a person or company if the marketplace has entered into a written agreement with each person or company that will receive the order and trade information that provides that

(a) the person or company must

(i) not disclose to or share any information with any person or company if that information could directly or indirectly, identify a marketplace participant or a client of the marketplace participant without the marketplace's consent, other than as provided under subsection (1.3) below;

(ii) not publish or otherwise disseminate data or information that discloses, directly or indirectly, the transactions, trading strategies or market positions of a marketplace participant or a client of the marketplace participant;

(iii) not use the order and trade information or provide it to any other person or company for any purpose other than capital markets research;

(iv) keep the order and trade information securely stored at all times;

(v) keep the order and trade information only for a reasonable period of time after the completion of the research and publication process; and

(vi) immediately inform the marketplace of any breach or possible breach of the confidentiality of the information provided; and

(b) the marketplace has the right to take appropriate steps, that in the marketplace's sole discretion, are necessary to prevent or deal with a breach or possible breach of the confidentiality of the information provided or of the agreement.

(1.2) A marketplace that releases a marketplace participant's order or trade information pursuant to subsection (1.1) must

(a) promptly inform the regulator or, in Québec, the securities regulatory authority, in the event the marketplace becomes aware of any breach or possible breach of the confidentiality of the information provided or of the agreement; and

(b) take all appropriate steps that in the marketplace's sole discretion, are necessary against that person or company to prevent or deal with a breach or possible breach of the confidentiality of the information provided or of the agreement.

(1.3) A person or company that receives a marketplace participant's order or trade information from a marketplace pursuant to subsection (1.1) may disclose the order or trade information used in connection with research submitted to a publication if it has entered into a written agreement with the marketplace that provides that:

(a) the information the person or company will disclose is used for verification purposes only,

(b) the person or company must obtain written agreement from the publication or any person or company involved in the verification of the research to maintain the confidentiality of the information,

(c) the person or company must notify the marketplace prior to sharing the information for verification purposes, and

(d) the person or company must obtain written agreement from the publication or any person or company involved in the verification of the research that the publication or other person or company will immediately inform the marketplace of any breach or possible breach of the agreement or of the confidentiality of the information provided.

(2) A marketplace must not carry on business unless it has implemented reasonable safeguards and procedures to protect a marketplace participant's order or trade information, including

(a) limiting access to order or trade information of marketplace participants to

(i) employees of the marketplace, or

(ii) persons or companies retained by the marketplace to operate the system or to be responsible for compliance by the marketplace with securities legislation; and

(b) implementing standards controlling trading by employees of the marketplace for their own accounts.

(3) A marketplace must not carry on business as a marketplace unless it has implemented adequate oversight procedures to ensure that the safeguards and procedures established under subsection (2) are followed.

5.11 Management of Conflicts of Interest

A marketplace must establish, maintain and ensure compliance with policies and procedures that identify and manage any conflicts of interest arising from the operation of the marketplace or the services it provides.

5.12 Outsourcing

If a marketplace outsources any of its key services or systems to a service provider, which includes affiliates or associates of the marketplace, the marketplace must:

(a) establish and maintain policies and procedures for the selection of service providers to which key services and systems may be outsourced and for the evaluation and approval of such outsourcing arrangements,

(b) identify any conflicts of interest between the marketplace and the service provider to which key services ~~and~~or systems are outsourced, and establish and maintain policies and procedures to mitigate and manage such conflicts of interest,

(c) enter into a contract with the service provider to which key services ~~and~~or systems are outsourced that is appropriate for the materiality and nature of the outsourced activities and that provides for adequate termination procedures,

(d) maintain access to the books and records of the service providers relating to the outsourced activities,

(e) ensure that the securities regulatory authorities have access to all data, information and systems maintained by the service provider on behalf of the marketplace~~,~~ for the purposes of determining the marketplace's compliance with securities legislation,

(f) take appropriate measures to determine that service providers to which key services or systems are outsourced establish, maintain and periodically test an appropriate business continuity plan, including a disaster recovery plan,

(g) take appropriate measures to ensure that the service providers protect the marketplace participants' proprietary, order, trade or any other confidential information, and

(h) establish processes and procedures to regularly review the performance of the service provider under any such outsourcing arrangement.

5.13 Access Arrangements with a Service Provider

If a third party service provider provides a means of access to a marketplace, the marketplace must ensure the third party service provider complies with the written standards for access that the marketplace has established pursuant to paragraph 5.1(2)(a) when providing the access services.

PART 6 REQUIREMENTS APPLICABLE ONLY TO ATSs

6.1 Registration – An ATS ~~shall~~must not carry on business as an ATS unless

(a) it is registered as a dealer;

(b) it is a member of a self-regulatory entity; and

(c) it complies with the provisions of this Instrument and NI 23-101.

6.2 Registration Exemption Not Available – Except as provided in this Instrument, the registration exemptions applicable to dealers under securities legislation are not available to an ATS.

6.3 Securities Permitted to be Traded on an ATS – An ATS ~~shall~~must not execute trades in securities other than

(a) exchange-traded securities;

(b) corporate debt securities;

(c) government debt securities; or

(d) foreign exchange-traded securities.

6.4 [repealed]

6.5 [repealed]

6.6 [repealed]

6.7 Notification of Threshold

(1) An ATS must notify the securities regulatory authority in writing if,

(a) during at least two of the preceding three months of operation, the total dollar value of the trading volume on the ATS for a month in any type of security is equal to or greater than 10 percent of the total dollar value of the trading volume for the month in that type of security on all marketplaces in Canada~~;~~.

(b) during at least two of the preceding three months of operation, the total trading volume on the ATS for a month in any type of security is equal to or greater than 10 percent of the total trading volume for the month in that type of security on all marketplaces in Canada~~;~~ or

(c) during at least two of the preceding three months of operation, the number of trades on the ATS for a month in any type of security is equal to or greater than 10 percent of the number of trades for the month in that type of security on all marketplaces in Canada.

(2) An ATS must provide the notice referred to in subsection (1) within 30 days after the threshold referred to in subsection (1) is met or exceeded.

6.8 [repealed]

6.9 Name – An ATS ~~shall~~must not use in its name the word "exchange", the words "stock market", the word "bourse" or any derivations of those terms.

6.10 [repealed]

6.11 Risk Disclosure to Non-Registered Subscribers

(1) When opening an account for a subscriber that is not registered as a dealer under securities legislation, an ATS ~~shall~~must provide that subscriber with disclosure in substantially the following words:

Although the ATS is registered as a dealer under securities legislation, it is a marketplace and therefore does not ensure best execution for its subscribers.

(2) Before the first order submitted by a subscriber that is not registered as a dealer under securities legislation is entered onto the ATS by the subscriber, the ATS ~~shall~~must obtain an acknowledgement from that subscriber that the subscriber has received the disclosure required in subsection (1).

6.12 [repealed]

6.13 [repealed]

PART 7 INFORMATION TRANSPARENCY REQUIREMENTS FOR MARKETPLACES DEALING IN EXCHANGE-TRADED SECURITIES AND FOREIGN EXCHANGE-TRADED SECURITIES

7.1 Pre-Trade Information Transparency – Exchange-Traded Securities

(1) A marketplace that displays orders of exchange-traded securities to a person or company ~~shall~~must provide accurate and timely information regarding orders for the exchange-traded securities displayed by the marketplace to an information processor as required by the information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider.

(2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace and if the orders posted on the marketplace meet the size threshold set by a regulation services provider.

(3) A marketplace that is subject to subsection (1) must not make the information referred to in that subsection available to any other person or company before it makes that information available to the information processor or, if there is no information processor, to the information vendor.

7.2 Post-Trade Information Transparency – Exchange-Traded Securities –

(1) A marketplace ~~shall~~must provide accurate and timely information regarding trades for exchange-traded securities executed on the marketplace to an information processor as required by the information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider.

(2) A marketplace must not make the information referred to in subsection (1) available to any other person or company before it makes that information available to the information processor or, if there is no information processor, to the information vendor.

7.3 Pre-Trade Information Transparency – Foreign Exchange-Traded Securities

(1) A marketplace that displays orders of foreign exchange-traded securities to a person or company ~~shall~~must provide accurate and timely information regarding orders for the foreign exchange-traded securities displayed by the marketplace to an information vendor.

(2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace and if the orders posted on the marketplace meet the size threshold set by a regulation services provider.

7.4 Post-Trade Information Transparency – Foreign Exchange-Traded Securities – A marketplace ~~shall~~must provide accurate and timely information regarding trades for foreign exchange-traded securities executed on the marketplace to an information vendor.

7.5 Consolidated Feed – Exchange-Traded Securities – An information processor ~~shall~~must produce an accurate consolidated feed in real-time showing the information provided to the information processor under sections 7.1 and 7.2.

7.6 Compliance with Requirements of an Information Processor – A marketplace that is subject to this Part ~~shall~~must comply with the reasonable requirements of the information processor to which it is required to provide information under this Part.

PART 8 INFORMATION TRANSPARENCY REQUIREMENTS FOR MARKETPLACES DEALING IN UNLISTED DEBT SECURITIES, INTER-DEALER BOND BROKERS AND DEALERS

8.1 Pre-Trade and Post-Trade Information Transparency Requirements – Government Debt Securities

(1) A marketplace that displays orders of government debt securities to a person or company ~~shall~~must provide to an information processor accurate and timely information regarding orders for government debt securities displayed by the marketplace as required by the information processor.

(2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.

(3) A marketplace ~~shall~~must provide to an information processor accurate and timely information regarding details of trades of government debt securities executed on the marketplace as required by the information processor.

(4) An inter-dealer bond broker ~~shall~~must provide to an information processor accurate and timely information regarding orders for government debt securities executed through the inter-dealer bond broker as required by the information processor.

(5) An inter-dealer bond broker ~~shall~~must provide to an information processor accurate and timely information regarding details of trades of government debt securities executed through the ~~interdealer~~inter-dealer bond broker as required by the information processor.

8.2 Pre-Trade and Post-Trade Information Transparency Requirements – Corporate Debt Securities

(1) A marketplace that displays orders of corporate debt securities to a person or company ~~shall~~must provide accurate and timely information regarding orders for designated corporate debt securities displayed by the marketplace to an information processor, as required by the information processor, or if there is no information processor, to an information vendor that meets the standards set by a regulation services provider, as required by the regulation services provider.

(2) Subsection (1) does not apply if the marketplace only displays orders to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace.

(3) A marketplace ~~shall~~must provide accurate and timely information regarding details of trades of designated corporate debt securities executed on the marketplace to an information processor, as required by the information processor, or if there is no information processor, to an information vendor that meets the standards set by a regulation services provider, as required by the regulation services provider.

(4) An inter-dealer bond broker ~~shall~~must provide accurate and timely information regarding details of trades of designated corporate debt securities executed through the inter-dealer bond broker to an information processor, as required by the information processor, or if there is no information processor, to an information vendor that meets the standards set by a regulation services provider, as required by the regulation services provider.

(5) A dealer executing trades of corporate debt securities outside of a marketplace ~~shall~~must provide accurate and timely information regarding details of trades of designated corporate debt securities traded by or through the dealer to an information processor, as required by the information processor, or if there is no information processor, to an information vendor that meets the standards set by a regulation services provider, as required by the regulation services provider.

8.3 Consolidated Feed – Unlisted Debt Securities – An information processor ~~shall~~must produce an accurate consolidated feed in real-time showing the information provided to the information processor under sections 8.1 and 8.2.

8.4 Compliance with Requirements of an Information Processor – A marketplace, interdealer bond broker or dealer that is subject to this Part ~~shall~~must comply with the reasonable requirements of the information processor to which it is required to provide information under this Part.

8.5 [repealed]

8.6 Exemption for Government Debt Securities – Section 8.1 does not apply until January 1, ~~2015~~2018.

PART 9 [repealed]

PART 10 TRANSPARENCY OF MARKETPLACE OPERATIONS

10.1 Disclosure by Marketplaces – A marketplace must publicly disclose, on its website, information reasonably necessary to enable a person or company to understand the marketplace's operations or services it provides, including, but not limited to, information related to~~:~~

(a) all fees, including any listing, trading, data, co-location and routing fees charged by the marketplace, an affiliate or by a party to which services have directly or indirectly been outsourced or which directly or indirectly provides those services~~;~~,

(b) how orders are entered, interact and execute~~;~~,

(c) all order types~~;~~,

(d) access requirements~~;~~,

(e) the policies and procedures that identify and manage any conflicts of interest arising from the operation of the marketplace or the services it provides~~;~~,

(f) any referral arrangements between the marketplace and service providers~~;~~,

(g) where routing is offered, how routing decisions are made~~; and~~,

(h) when indications of interest are disseminated, the information disseminated and the types of recipients of such indications of interest,

(i) any access arrangements with a third party service provider, including the name of the third party service provider and the standards for access to be complied with by the third party service provider, and

(j) the hours of operation of any testing environments provided by the marketplace, a description of any differences between the testing environment and production environment of the marketplace and the potential impact of these differences on the effectiveness of testing.

10.2 [repealed]

10.3 [repealed]

PART 11 RECORDKEEPING REQUIREMENTS FOR MARKETPLACES

11.1 Business Records – A marketplace ~~shall~~must keep such books, records and other documents as are reasonably necessary for the proper recording of its business in electronic form.

11.2 Other Records

(1) As part of the records required to be maintained under section 11.1, a marketplace ~~shall~~must include the following information in electronic form:

(a) a record of all marketplace participants who have been granted access to trading in the marketplace;

(b) daily trading summaries for the marketplace including

(i) a list of securities traded,

(ii) transaction volumes

(A) for securities other than debt securities, expressed as the number of issues traded, number of trades, total unit volume and total dollar value of trades and, if the price of the securities traded is quoted in a currency other than Canadian dollars, the total value in that other currency, and

(B) for debt securities, expressed as the number of trades and total dollar value traded and, if the price of the securities traded is quoted in a currency other than Canadian dollars, the total value in that other currency,

(c) a record of each order which must include

(i) the order identifier assigned to the order by the marketplace,

(ii) the marketplace participant identifier assigned to the marketplace participant transmitting the order,

(iii) the identifier assigned to the marketplace where the order is received or originated,

(iv) each unique client identifier assigned to a client accessing the marketplace using direct electronic access,

(v) the type, issuer, class, series and symbol of the security,

(vi) the number of securities to which the order applies,

(vii) the strike date and strike price, if applicable,

(viii) whether the order is a buy or sell order,

(ix) whether the order is a short sale order, if applicable,

(x) whether the order is a market order, limit order or other type of order, and if the order is not a market order, the price at which the order is to trade,

(xi) the date and time the order is first originated or received by the marketplace,

(xii) whether the account is a retail, wholesale, employee, proprietary or any other type of account,

(xiii) the date and time the order expires,

(xiv) whether the order is an intentional cross,

(xv) whether the order is a jitney and if so, the identifier of the underlying broker,

(xvi) the currency of the order,

(xvii) whether the order is routed to another marketplace for execution, and the date, time and name of the marketplace to which the order was routed, and

(xviii) whether the order is a directed-action order, and whether the marketplace marked the order as a directed-action order or received the order marked as a directed-action order;, and

(d) in addition to the record maintained in accordance with paragraph (c), all execution report details of orders, including

(i) the identifier assigned to the marketplace where the order was executed,

(ii) whether the order was fully or partially executed,

(iii) the number of securities bought or sold,

(iv) the date and time of the execution of the order,

(v) the price at which the order was executed,

(vi) the identifier assigned to the marketplace participant on each side of the trade,

(vii) whether the transaction was a cross,

(viii) time-sequenced records of all messages sent to or received from an information processor, an information vendor or a marketplace,

(ix) the marketplace trading fee for each trade, and

(x) each unique client identifier assigned to a client accessing the marketplace using direct electronic access.

11.2.1 Transmission in Electronic Form – A marketplace ~~shall~~must transmit

(a) to a regulation services provider, if it has entered into an agreement with a regulation services provider in accordance with NI 23-101, the information required by the regulation services provider, in the manner requested by the regulation services provider, within ten business days, in electronic form; and

(b) to the securities regulatory authority the information required by the securities regulatory authority under securities legislation, in the manner requested by the securities regulatory authority, within ten business days, in electronic form.

11.3 Record Preservation Requirements

(1) For a period of not less than seven years from the creation of a record referred to in this section, and for the first two years in a readily accessible location, a marketplace ~~shall~~must keep

(a) all records required to be made under sections 11.1 and 11.2;

(b) at least one copy of its standards for granting access to trading, if any, all records relevant to its decision to grant, deny or limit access to a person or company and, if applicable, all other records made or received by the marketplace in the course of complying with section 5.1;

(c) at least one copy of all records made or received by the marketplace in the course of complying with section 12.1 and 12.4, including all correspondence, memoranda, papers, books, notices, accounts, reports, test scripts, test results, and other similar records;

(d) all written notices provided by the marketplace to marketplace participants generally, including notices addressing hours of system operations, system malfunctions, changes to system procedures, maintenance of hardware and software, instructions pertaining to access to the marketplace and denials of, or limitation to, access to the marketplace;

(e) the acknowledgement obtained under subsection 5.9(2) or 6.11(2);

(f) a copy of any agreement referred to in section 8.4 of NI 23-101; ~~and~~

(g) a copy of any agreement referred to in subsections 13.1(2) and 13.1(3)~~,~~;

(h) a copy of any agreement referred to in section 5.10; and

(i) a copy of any agreement referred to in subsection 5.12(c).

(2) During the period in which a marketplace is in existence, the marketplace ~~shall~~must keep

(a) all organizational documents, minute books and stock certificate books;

(b) copies of all forms filed under Part 3; and

(c) in the case of an ATS, copies of all notices given under section 6.7.

11.4 [repealed]

11.5 Synchronization of Clocks

(1) A marketplace trading exchange-traded securities or foreign exchange-traded securities, an information processor receiving information about those securities, and a dealer trading those securities ~~shall~~must synchronize the clocks used for recording or monitoring the time and date of any event that must be recorded under this Part and under NI 23-101 with the clock used by a regulation services provider monitoring the activities of marketplaces and marketplace participants trading those securities.

(2) A marketplace trading corporate debt securities or government debt securities, an information processor receiving information about those securities, a dealer trading those securities, and an inter-dealer bond broker trading those securities ~~shall~~must synchronize the clocks used for recording or monitoring the time and date of any event that must be recorded under this Part and under NI 23-101.

PART 12 MARKETPLACE SYSTEMS AND BUSINESS CONTINUITY PLANNING

12.1 System Requirements – For each ~~of its systems~~system, operated by or on behalf of the marketplace, that ~~support~~supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, a marketplace ~~shall~~must

(a) develop and maintain

(i) an adequate system of internal control over those systems~~;~~, and

(ii) adequate information technology general controls, including without limitation, controls relating to information systems operations, information security, change management, problem management, network support and system software support~~;~~.

(b) in accordance with prudent business practice, on a reasonably frequent basis and, in any event, at least annually,

(i) make reasonable current and future capacity estimates~~;~~.

(ii) conduct capacity stress tests to determine the ability of those systems to process transactions in an accurate, timely and efficient manner~~;~~ and

(c) promptly notify the regulator or, in Québec, the securities regulatory authority and, if applicable, its regulation services provider, of any material systems failure, malfunction ~~or delay~~, delay or security breach and provide timely updates on the status of the failure, malfunction, delay or security breach, the resumption of service and the results of the marketplace's internal review of the failure, malfunction, delay or security breach.

12.1.1 Auxiliary Systems – For each system that shares network resources with one or more of the systems, operated by or on behalf of the marketplace, that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, that if breached, would pose a security threat to one or more of the aforementioned systems, a marketplace must

(a) develop and maintain an adequate system of information security controls that relate to the security threats posed to any system that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, and

(b) promptly notify the regulator, or in Québec, the securities regulatory authority and, if applicable, its regulation services provider, of any material security breach and provide timely updates on the status of the breach, the resumption of service, where applicable, and the results of the marketplace's internal review of the security breach.

12.2 System Reviews

(1) ~~For each of its systems that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing, a marketplace shall~~A marketplace must annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards to ensure that ~~it~~ the marketplace is in compliance with ~~paragraph 12.1(a) and section 12.4.~~

(a) paragraph 12.1(a);

(b) section 12.1.1; and

(c) section 12.4.

(2) A marketplace ~~shall~~must provide the report resulting from the review conducted under subsection (1) to

(a) its board of directors, or audit committee, promptly upon the report's completion, and

(b) to the regulator or, in Québec, the securities regulatory authority, within the earlier of 30 days of providing the report to its board of directors or the audit committee or 60 days after the calendar year end.

12.3 ~~Availability of~~Marketplace Technology Requirements and Testing Facilities

(1) A marketplace ~~shall~~must make publicly available all technology requirements regarding interfacing with or accessing the marketplace in their final form,

(a) if operations have not begun, for at least three months immediately before operations begin; and

(b) if operations have begun, for at least three months before implementing a material change to its technology requirements.

(2) After complying with subsection (1), a marketplace ~~shall~~must make available testing facilities for interfacing with or accessing the marketplace,

(a) if operations have not begun, for at least two months immediately before operations begin; and

(b) if operations have begun, for at least two months before implementing a material change to its technology requirements.

(3) A marketplace ~~shall~~must not begin operations ~~until it has complied with paragraphs (1)(a) and (2)(a).~~ or implement a material change to its technology requirements until the later of

(a) three months after notification of the completion of the review of the marketplace's initial filing or change in information by the regulator, or in Québec, the securities regulatory authority, is provided to the marketplace, and

(b) a reasonable period of time after the regulator, or in Québec, the securities regulatory authority, has completed its review of the marketplace's initial filing or change in information and notified the marketplace of the completion of the review.

(4) Paragraphs ~~12.3~~(1)(b) and (2)(b) do not apply to a marketplace if the change must be made immediately to address a failure, malfunction or material delay of its systems or equipment if

(a) the marketplace immediately notifies the regulator, or in Québec, the securities regulatory authority, and, if applicable, its regulation services provider of its intention to make the change; and

(b) the marketplace publishes the changed technology requirements as soon as practicable.

(5) A marketplace must not begin operations before,

(a) it has complied with paragraphs (1)(a) and (2)(a),

(b) its regulation services provider, if applicable, has confirmed to the marketplace that trading may commence on the marketplace, and

(c) the chief information officer of the marketplace, or individual performing a similar function, has certified in writing to the regulator, or in Québec, the securities regulatory authority, that all information technology systems used by the marketplace have been tested according to prudent business practices and are operating as designed.

(6) A marketplace must not implement a material change to its technology requirements before,

(a) it has complied with paragraphs (1)(b) and (2)(b), and

(b) the chief information officer of the marketplace, or individual performing a similar function, has certified in writing to the regulator, or in Québec, the securities regulatory authority, that the change has been tested according to prudent business practices and is operating as designed.

(7) Subsection (6) does not apply to a marketplace if the change must be made immediately to address a failure, malfunction or material delay of its systems or equipment if the marketplace immediately notifies the regulator, or in Québec, the securities regulatory authority, of its intention to make the change.

12.3.1 Uniform Test Symbols

A marketplace must use uniform test symbols, as set by a regulator, or in Québec, the securities regulatory authority, for the purpose of performing testing in its production environment.

12.4 Business Continuity Planning

(1) A marketplace must

(~~1) A marketplace must~~a) develop and maintain reasonable business continuity plans, including disaster recovery plans~~.~~;

(~~2~~) ~~A marketplace must~~b) test its business continuity plans, including disaster recovery plans, according to prudent business practices and on a reasonably frequent basis and, in any event, at least annually~~.~~.

(2) A marketplace with a total trading volume in any type of security equal to or greater than 10 % of the total dollar value of the trading volume in that type of security on all marketplaces in Canada during at least two of the preceding three months of operation must ensure that each system, operated by or on behalf of the marketplace, that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, and trade clearing can resume operations within two hours following the declaration of a disaster by the marketplace.

(3) A recognized exchange or quotation and trade reporting system that directly monitors the conduct of its members or users and enforces requirements set under section 7.1(1) or 7.3(1) of NI 23-101 must ensure that each system, operated by or on behalf of the marketplace, that is critical and supports real-time market surveillance can resume operations within two hours following the declaration of a disaster at the primary site by the exchange or quotation and trade reporting system.

(4) A regulation services provider that has entered into a written agreement with a marketplace to conduct market surveillance for the marketplace must ensure that each system, operated by or on behalf of the regulation services provider, that is critical and supports real-time market surveillance can resume operations within two hours following the declaration of a disaster at the primary site by the regulation services provider.

12.4.1 Industry-Wide Business Continuity Tests

A marketplace, recognized clearing agency, information processor, and marketplace participant must participate in all industry-wide business continuity tests, as determined by a regulation services provider, regulator, or in Québec, the securities regulatory authority.

PART 13 CLEARING AND SETTLEMENT

13.1 Clearing and Settlement

(1) All trades executed on a marketplace shall be reported to and settled through a clearing agency.

(2) For a trade executed through an ATS by a subscriber that is registered as a dealer under securities legislation, the ATS and its subscriber ~~shall~~must enter into an agreement that specifies whether the trade ~~shall~~must be reported ~~and settled~~to a clearing agency by

(a) the ATS;

(b) the subscriber; or

(c) an agent for the subscriber that is a clearing member of a clearing agency.

(3) For a trade executed through an ATS by a subscriber that is not registered as a dealer under securities legislation, an ATS and its subscriber ~~shall~~must enter into an agreement that specifies whether the trade ~~shall~~must be reported ~~and settled~~to a clearing agency by

(a) the ATS; or

(b) an agent for the subscriber that is a clearing member of a clearing agency.

13.2 Access to Clearing Agency of Choice

(1) A marketplace must report a trade in a security to a clearing agency designated by a marketplace participant.

(2) Subsection (1) does not apply to a trade in a security that is a standardized derivative or an exchange-traded security that is an option.

PART 14 REQUIREMENTS FOR AN INFORMATION PROCESSOR

14.1 Filing Requirements for an Information Processor

(1) A person or company that intends to carry on business as an information processor ~~shall~~must file Form 21-101F5 at least 90 days before the information processor begins to carry on business as an information processor.

(2) **[repealed]**

14.2 Change in Information

(1) At least 45 days before implementing a significant change involving a matter set out in Form 21-101F5, an information processor ~~shall~~must file an amendment to the information provided in Form 21-101F5 in the manner set out in Form 21-101F5.

(2) If an information processor implements a change involving a matter set out in Form 21-101F5, other than a change referred to in subsection (1), the information processor ~~shall~~must, within 30 days after the end of the calendar quarter in which the change takes place, file an amendment to the information provided in Form 21-101F5 in the manner set out in Form 21-101F5.

14.3 Ceasing to Carry on Business as an Information Processor

(1) If an information processor intends to cease carrying on business as an information processor, the information processor ~~shall~~must file a report on Form 21-101F6 at least 30 days before ceasing to carry on that business.

(2) If an information processor involuntarily ceases to carry on business as an information processor, the information processor ~~shall~~must file a report on Form 21-101F6 as soon as practicable after it ceases to carry on that business.

14.4 Requirements Applicable to an Information Processor

(1) An information processor ~~shall~~must enter into an agreement with each marketplace, inter-dealer bond broker and dealer that is required to provide information to the information processor that the marketplace, inter-dealer bond broker or dealer will

(a) provide information to the information processor in accordance with Part 7 or 8, as applicable; and

(b) comply with any other reasonable requirements set by the information processor.

(2) An information processor ~~shall~~must provide timely, accurate, reliable and fair collection, processing, distribution and publication of information for orders for, and trades in, securities.

(3) An information processor ~~shall~~must keep such books, records and other documents as are reasonably necessary for the proper recording of its business.

(4) An information processor ~~shall~~must establish in a timely manner an electronic connection or changes to an electronic connection to a marketplace, inter-dealer bond broker or dealer that is required to provide information to the information processor.

(5) An information processor ~~shall~~must provide prompt and accurate order and trade information and ~~shall~~must not unreasonably restrict fair access to such information.

(6) An information processor must file annual audited financial statements within 90 days after the end of its financial year that

(a) are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, Canadian GAAP applicable to private enterprises or IFRS,

(b) include notes to the financial statements that identify the accounting principles used to prepare the financial statements, and

(c) are audited in accordance with Canadian GAAS or International Standards on Auditing and are accompanied by an auditor's report.

(6.1) If an information processor is operated as a division or unit of a person or company, the person or company must file the income statement and the statement of cash flow of the information processor and any other information necessary to demonstrate the financial condition of the information processor within 90 days after the end of the financial year of the person or company.

(7) An information processor must file its financial budget within 30 days after the start of a financial year.

(7.1) If an information processor is operated as a division or unit of a person or company, the person or company must file the financial budget relating to the information processor within 30 days after the start of the financial year of the person or company.

(8) An information processor must file, within 30 days after the end of each calendar quarter, the process and criteria for the selection of government debt securities, as applicable, and designated corporate debt securities and the list of government debt securities, as applicable, and designated corporate debt securities.

(9) An information processor must file, within 30 days after the end of each calendar year, the process to communicate the designated securities to the marketplaces, inter-dealer bond brokers and dealers providing the information required by the Instrument, including where the list of designated securities can be found.

14.5 System Requirements – An information processor ~~shall~~must,

(a) develop and maintain

(i) an adequate system of internal controls over its critical systems~~;~~, and

(ii) adequate information technology general controls, including, without limitation, controls relating to information systems operations, information security, change management, problem management, network support, and system software support~~;~~,

(b) in accordance with prudent business practice, on a reasonably frequent basis and in any event, at least annually,

(i) make reasonable current and future capacity estimates for each of its systems~~;~~, and

(ii) conduct capacity stress tests of its critical systems to determine the ability of those systems to process information in an accurate, timely and efficient manner~~;~~,

(c) annually engage a qualified party to conduct an independent systems review and prepare a report in accordance with established audit standards to ensure that it is in compliance with paragraph (a) and section 14.6~~;~~,

(d) provide the report resulting from the review conducted under paragraph (c) to

(i) its board of directors or the audit committee promptly upon the report's completion, and

(ii) the regulator or, in Québec, the securities regulatory authority, within the earlier of 30 days of providing it to the board of directors or the audit committee~~;~~ or 60 days after the calendar year end, and

(e) promptly notify the following of any failure, malfunction or material delay of its systems or equipment

(i) the regulator or, in Québec, the securities regulatory authority~~;~~, and

(ii) any regulation services provider, recognized exchange or recognized quotation and trade reporting system monitoring trading of the securities about which information is provided to the information processor.

14.6 Business Continuity Planning

An information processor must

(1) ~~An information processor must~~ develop and maintain reasonable business continuity plans, including disaster recovery plans~~.~~,

(2) ~~An information processor must~~ test its business continuity plans, including disaster recovery plans, according to prudent business practices and on a reasonably frequent basis and, in any event, at least annually, and

(3) ensure that its critical systems can resume operations within one hour following the declaration of a disaster by the information processor.

14.7 Confidential Treatment of Trading Information

An information processor must not release order and trade information to a person or company other than the marketplace, inter-dealer bond broker or dealer that provided this information in accordance with this Instrument~~,~~ or ~~other than~~ a securities regulatory authority, unless~~:~~

(a) the release of that information is required by this Instrument or under applicable law~~;~~, or

(b) the information processor received prior approval from the securities regulatory authority.

14.8 Transparency of Operations of an Information Processor

An information processor must publicly disclose on its website information reasonably necessary to enable a person or company to understand the information processor's operations or services it provides including, but not limited to~~:~~

(a) all fees charged by the information processor for the consolidated data~~;~~,

(b) a description of the process and criteria for the selection of government debt securities, as applicable, and designated corporate debt securities and the list of government debt securities, as applicable, and designated corporate debt securities~~;~~,

(c) access requirements~~;~~, and

(d) the policies and procedures to manage conflicts of interest that may arise in the operation of the information processor.

PART 15 EXEMPTION

15.1 Exemption

(1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

FORM 21-101F1

INFORMATION STATEMENT
EXCHANGE OR QUOTATION AND TRADE REPORTING SYSTEM

Filer: ☐ **EXCHANGE** ☐ **QUOTATION AND TRADE REPORTING SYSTEM**

Type of Filing: ☐ **INITIAL** ☐ **AMENDMENT; AMENDMENT No. _____**

1. Full name of exchange or quotation and trade reporting system:

2. Name(s) under which business is conducted, or name of market or facility, if different from item 1:

3. If this filing makes a name change on behalf of the exchange or quotation and trade reporting system in respect of the name set out in item 1 or item 2, enter the previous name and the new name:

   Previous name:

   New name:

4. Head office

   Address:

   Telephone:

   Facsimile:

5. Mailing address (if different):

6. Other offices

   Address:

   Telephone:

   Facsimile:

7. Website address:

8. Contact employee

   Name and title:

   Telephone number:

   Facsimile:

   E-mail address:

9. Counsel

   Firm name:

   Contact name:

   Telephone number:

   Facsimile:

   E-mail address:

10. Market Regulation is being conducted by:

☐ the exchange
☐ the quotation and trade reporting system
☐ regulation services provider other than the filer (see Exhibit M)

EXHIBITS

File all Exhibits with the Filing. For each Exhibit, include the name of the exchange or quotation and trade reporting system, the date of filing of the Exhibit and the date as of which the information is accurate (if different from the date of the filing). If any Exhibit required is inapplicable, a statement to that effect ~~shall~~must be furnished instead of such Exhibit.

Except as provided below, if the filer, recognized exchange or recognized quotation and trade reporting system files an amendment to the information provided in its Filing and the information relates to an Exhibit filed with the Filing or a subsequent amendment, the filer, recognized exchange or recognized quotation and trade reporting system, must, in order to comply with subsections 3.2(1), 3.2(2) or 3.2(3) of National Instrument 21-101, provide a description of the change, the expected date of the implementation of the change, and file a complete and updated Exhibit. The filer must provide a clean and a blacklined version showing changes from the previous filing.

If the filer, recognized exchange or recognized quotation and trade reporting system has otherwise filed the information required by the previous paragraph pursuant to section 5.5 of National Instrument 21-101, it is not required to file the information again as an amendment to an Exhibit. However, if supplementary material relating to a filed rule is contained in an Exhibit, an amendment to the Exhibit must also be filed.

Exhibit A – Corporate Governance

1. Legal status:

☐ Corporation
☐ Partnership
☐ Sole Proprietorship
☐ Other (specify):

2. Except where the exchange or quotation and trade reporting system is a sole proprietorship, indicate the following:

    1. Date (DD/MM/YYYY) of formation.

    2. Place of formation.

    3. Statute under which exchange or quotation and trade reporting system was organized.

3. Provide a copy of the constating documents (including corporate by-laws), shareholder agreements, partnership agreements and other similar documents, and all subsequent amendments.

4. Provide the policies and procedures to address potential conflicts of interest arising from the operation of the marketplace or the services it provides, including those related to the commercial interest of the marketplace, the interests of its owners and its operators, the responsibilities and sound functioning of the marketplace, and those between the operations of the marketplace and its regulatory responsibilities.

Exhibit B – Ownership

A list of the registered or beneficial holders of securities of, partnership interests in, or other ownership interests in, the exchange or recognized quotation and trade reporting system. For each of the persons listed in the Exhibit, please provide the following:

    1. Name.

    2. Principal business or occupation and title.

    3. Ownership interest.

    4. Nature of the ownership interest, including a description of the type of security, partnership interest or other ownership interest.

5. Whether the person has control (as interpreted in subsection 1.3(2) of National Instrument 21-101 *Marketplace Operation*).

In the case of an exchange or quotation and trade reporting system that is publicly traded, if the exchange or quotation and trade reporting system is a corporation, please only provide a list of each shareholder that directly owns five ~~percent~~% or more of a class of a voting security of the exchange or quotation and trade reporting system.

Exhibit C – Organization

1. A list of partners, directors, officers, governors, and members of the board of directors and any standing committees of the board, or persons performing similar functions, who presently hold or have held their offices or positions during the previous year, indicating the following for each:

    1. Name.

    2. Principal business or occupation and title.

    3. Dates of commencement and expiry of present term of office or position .

    4. Type of business in which each is primarily engaged and current employer.

    5. Type of business in which each was primarily engaged in the preceding five years, if different from that set out in item 4.

    6. Whether the person is considered to be an independent director.

2. A list of the committees of the board, including their mandates and the Board mandate.

Exhibit D – Affiliates

1. For each affiliated entity of the exchange or quotation and trade reporting system provide the name, head office address and describe the principal business of the affiliate.

2. For each affiliated entity of the exchange or quotation and trade reporting system

    (i) to which the exchange or quotation and trade reporting system has outsourced any of its key services or systems affecting the market or facility described in Exhibit E – *Operations of the Marketplace*, including order entry, trading, execution, routing and data, or

    (ii) with which the exchange or quotation and trade reporting system has any other material business relationship, including loans, cross-guarantees, etc.

    provide the following information:

        1. Name and address of the affiliate.

        2. The name and title of the directors and officers, or persons performing similar functions, of the affiliate.

        3. A description of the nature and extent of the contractual and other agreements with the exchange and quotation and trade reporting system, and the roles and responsibilities of the affiliate under the arrangement.

        4. A copy of each material contract relating to any outsourced functions or other material relationships.

        5. Copies of constating documents (including corporate by-laws), shareholder agreements, partnership agreements and other similar documents.

        6. For the latest financial year of the affiliated entity, financial statements, which may be unaudited, prepared in accordance with~~:~~

            a. Canadian GAAP applicable to publicly accountable enterprises~~;~~ or

b. Canadian GAAP applicable to private enterprises~~;~~, or

c. IFRS.

Where the affiliated entity is incorporated or organized under the laws of a foreign jurisdiction, such financial statements may also be prepared in accordance with~~:~~

a. U.S. GAAP~~;~~ or

b. accounting principles of a designated foreign jurisdiction as defined under National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.

Exhibit E – Operations of the Marketplace

Describe in detail the manner of operation of the market or facility and its associated functions. This ~~should~~must include, but is not ~~be~~ limited to, a description of the following:

1. The structure of the market (e.g., call market, auction market, dealer market).

2 Means of access to the market or facility and services, including a description of any co-location arrangements.

3 The hours of operation.

4. A description of the services offered by the marketplace, including, but not limited to, order entry, co-location, trading, execution, routing and data.

5. A list of the types of orders offered, including, but not limited to, a description of the features and characteristics of orders.

6. Procedures regarding the entry, display and execution of orders. If indications of interest are used, please describe the information they include and list the types of recipients.

7. ~~Description~~A description of how orders interact, including, but not limited to, the priority of execution for all order types.

8. ~~Description~~A description of order routing procedures.

9. ~~Description~~A description of order and trade reporting procedures.

10. ~~Description~~A description of procedures for clearance and settlement of transactions.

11. The safeguards and procedures of the marketplace to protect trading information of marketplace participants.

12. Training provided to participants and a copy of any materials provided both with respect to systems of the marketplace, the requirements of the marketplace, and the rules of the regulation services providers, if applicable.

13. Steps taken to ensure that marketplace participants have knowledge of and comply with the requirements of the marketplace.

The filer must provide all policies, procedures and trading manuals related to the operation of the marketplace and, if applicable, the order router.

The filer must provide all material contracts related to order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing.

Exhibit F – Outsourcing

Where the exchange or quotation and trade reporting system has outsourced the operation of key services or systems affecting the market or facility described in Exhibit E – *Operations of the Marketplace* to an arms-length third party, including any function associated with the routing, trading, execution, data, clearing and settlement and, if applicable, surveillance, provide the following information:

1. Name and address of person or company to whom the function has been outsourced.

2. A description of the nature and extent of the contractual or other agreement with the exchange or quotation and trade reporting system and the roles and responsibilities of the arms-length party under the arrangement.

3. A copy of each material contract relating to any outsourced function.

4. A copy of the marketplace's policies and procedures for the selection of service providers to which key services and systems may be outsourced and for the evaluation and approval of such outsourcing arrangements that are established and maintained pursuant to subsection 5.12(a) of National Instrument 21-101 *Marketplace Operation*.

5. A description of any conflicts of interest between the marketplace and the service provider to which key services and systems are outsourced and a copy of the policies and procedures to mitigate and manage such conflicts of interest that have been established pursuant to subsection 5.12(b) of National Instrument 21-101 *Marketplace Operation*.

6. A description of the measures the marketplace has taken pursuant to subsection 5.12(f) of National Instrument 21-101 *Marketplace Operation* to ensure that the service provider has established, maintains and periodically tests an appropriate business continuity plan, including a disaster recovery plan.

7. A description of the measures the marketplace has taken pursuant to subsection 5.12(g) of National Instrument 21-101 *Marketplace Operation* to ensure that the service provider protects the proprietary, order, trade or any other confidential information of the participants of the marketplace.

8. A copy of the marketplace's processes and procedures to regularly review the performance of a service provider under an outsourcing arrangement that are established pursuant to subsection 5.12(h) of National Instrument 21-101 *Marketplace Operation*.

Exhibit G – Systems and Contingency Planning

General

Provide:

1. ~~For each~~A high level description of the marketplace's systems that support order entry, order routing, execution, trade reporting, trade comparison, data ~~feed~~feeds, co-location and if applicable, market surveillance~~,~~ and trade clearing~~, describe:~~.

2. An organization chart of the marketplace's information technology group.

Business Continuity Planning

Please describe:

1. ~~Current and future capacity estimates.~~Where the primary processing site is located,

2. ~~Procedures for reviewing system capacity.~~What the approximate percentage of hardware, software, and network redundancy is at the primary site,

3. ~~Procedures for reviewing system security.~~If there is an uninterruptible power source (UPS) at the primary site,

4. ~~Procedures to conduct stress tests.~~ How frequently market data is stored off-site,

5. Whether the marketplace has a secondary processing site and, if so, the location of the secondary processing site,

6. ~~5. A description of the~~The filer's business continuity ~~and~~plan, including the disaster recovery ~~plans, including~~plan. Please provide any relevant documentation~~.~~.

7. ~~6. Procedures to test business continuity and disaster recovery plans.~~How frequently the business continuity and disaster recovery plans are tested,

8. The targeted time to resume operations of critical information technology systems following the declaration of a disaster by the marketplace,

9. Any single points of failure faced by the marketplace.

Systems Capacity

Please describe:

1. How frequently future market activity is evaluated in order to adjust processing capacity,

2. The approximate excess capacity maintained over average daily transaction volumes,

3. How often or at what point stress testing is performed.

Systems

Please describe:

1. Whether the trading engine was developed in-house or by a commercial vendor,

2. Whether the trading engine is maintained in-house or by a commercial vendor and provide the name of the commercial vendor, if applicable,

3. The marketplace's networks. Please provide a copy of the network diagram used in-house that covers order entry, real-time market data and transmission,

4. The message protocols supported by the marketplace's systems,

5. The transmission protocols used by the marketplace's systems.

IT Risk Assessment

Please describe the IT risk assessment framework, including:

1. How the probability and likelihood of IT threats are considered,

2. How the impact of risks are measured according to qualitative and quantitative criteria,

3. The documentation process for acceptable residual risks with related offsets, and

4. The development of management's action plan to implement a risk response to a risk that has not been accepted.

Exhibit H – Custody of Assets

1. If the exchange or quotation and trade reporting system proposes to hold funds or securities of a marketplace participant on a regular basis, a description of the controls that will be implemented to ensure the safety of the funds or securities.

2. If any other person or company, other than the exchange or quotation and trade reporting system, will hold or safeguard funds or securities of a marketplace participant on a regular basis, provide the name of the person or company and a description of the controls that will be implemented to ensure the safety of the funds or securities.

Exhibit I – Securities

1. List the types of securities listed on the exchange or quoted on the quotation and trade reporting system. If this is an initial filing, list the types of securities the ~~Filer~~filer expects to list or quote.

2. List the types of any other securities that are traded on the marketplace or quoted on the quotation and trade reporting system, indicating the exchange(s) on which such securities are listed. If this is an initial filing, list the types of securities the ~~Filer~~filer expects to trade.

Exhibit J – Access to Services

1. A complete set of all forms, agreements or other materials pertaining to access to the services of the marketplace described in Exhibit E~~.~~ item 4, including trading on the exchange or quotation and trade reporting system.

2. Describe the classes of marketplace participants.

3. Describe the exchange or quotation and trade reporting service's criteria for access to the services of the marketplace.

4. Describe any differences in access to the services offered by the marketplace to different groups or classes of marketplace participants.

5. Describe conditions under which marketplace participants may be subject to suspension or termination with regard to access to the services of the exchange or quotation and trade reporting system.

6. Describe any procedures that will be involved in the suspension or termination of a marketplace participant.

7. Describe the exchange or quotation and trade reporting system's arrangements for permitting clients of marketplace participants to have access to the marketplace. Provide a copy of any agreements or documentation relating to these arrangements.

Exhibit K – Marketplace Participants

Provide an alphabetical list of all marketplace participants, including the following information:

1. Name.

2. Date of becoming a marketplace participant.

3. Describe the type of trading activities primarily engaged in by the marketplace participant (*e.g.*, agency trading, proprietary trading, registered trading, market making).

4. The class of participation or other access. Please identify if the marketplace participant accesses the marketplace through co-location.

5. Provide a list of all persons or entities that were denied or limited access to the marketplace, indicating for each~~:~~

   (i) whether they were denied or limited access~~;~~,

   (ii) the date the marketplace took such action~~;~~,

   (iii) the effective date of such action~~;~~, and

   (iv) the nature and reason for any denial or limitation of access.

Exhibit L – Fees

A description of the fee model and all fees charged by the marketplace, or by a party to which services have been directly or indirectly outsourced, including, but not limited to, fees relating to connecting to the market or facility, access, data, regulation (if applicable), trading, routing, and co-location, how such fees are set, and any fee rebates or discounts and how the rebates and discounts are set.

Exhibit M – Regulation

Market Regulation is being conducted by:

☐ the exchange or QTRS

1. Provide a description of the regulation performed by the exchange or QTRS, including the structure of the department performing regulation, how the department is funded, policies and procedures in place to ensure confidentiality and the management of conflicts of interest, and policies and procedures relating to conducting an investigation.

2. If more than one entity is performing regulation services for a type of security and the filer is conducting market regulation for itself and its members, provide a copy of the contract between the filer and the regulation services provider providing for co-ordinated monitoring and enforcement under section 7.5 of National Instrument 23-101 *Trading Rules*.

☐ a regulation services provider other than the filer (provide a copy of the contract between the filer and the regulation services provider.)

Exhibit N – Acknowledgement

The form of acknowledgement required by subsection 5.9(2) of National Instrument 21-101 *Marketplace Operation*.

CERTIFICATE OF EXCHANGE OR QUOTATION AND TRADE REPORTING SYSTEM

The undersigned certifies that the information given in this report is true and correct.

DATED at _____ this _____ day of _____ 20____

_____
(Name of exchange or quotation and trade reporting system)

_____
(Name of director, officer or partner – please type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity – please type or print)

FORM 21-101F2
~~INITIAL OPERATION REPORT~~

INFORMATION STATEMENT
ALTERNATIVE TRADING SYSTEM

TYPE OF FILING:

☐ **INITIAL OPERATION REPORT** ☐ **AMENDMENT ; AMENDMENT No. _____**

Identification:

1. Full name of alternative trading system:

2. Name(s) under which business is conducted, if different from item 1:

3. If this filing makes a name change on behalf of the alternative trading system in respect of the name set out in Item 1 or Item 2, enter the previous name and the new name.

   Previous name:

   New name:

4. Head office

   Address:

   Telephone:

   Facsimile:

5. Mailing address (if different):

6. Other offices

   Address:

   Telephone:

   Facsimile:

7. Website address:

8. Contact employee

   Name and title:

   Telephone number:

   Facsimile:

   E-mail address:

9. Counsel

   Firm name:

   Contact name:

   Telephone number:

   Facsimile:

E-mail address:

10. The ATS is

☐ a member of _____ (name of the recognized self-regulatory entity)

☐ a registered dealer

11. If this is an initial operation report, the date the alternative trading system expects to commence operation:

12. The ATS has contracted with [name of regulation services provider] to perform market regulation for the ATS and its subscribers.

EXHIBITS

File all Exhibits with the Initial Operation Report. For each Exhibit, include the name of the ATS, the date of filing of the Exhibit and the date as of which the information is accurate (if different from the date of the filing). If any Exhibit required is inapplicable, a statement to that effect ~~shall~~must be furnished instead of such Exhibit.

If the ATS files an amendment to the information provided in its Initial Operation Report and the information relates to an Exhibit filed with the Initial Operation Report or a subsequent amendment, the ATS must, in order to comply with subsection 3.2(1), 3.2(2) or 3.2(3) of National Instrument 21-101, provide a description of the change, the expected date of the implementation of the change, and file a complete and updated Exhibit. The ATS must provide a clean and blacklined version showing changes from the previous filing.

Exhibit A – Corporate Governance

1. Legal status:

   ☐ Corporation
   ☐ Partnership
   ☐ Sole Proprietorship
   ☐ Other (specify):

2. Except where the ATS is a sole proprietorship, indicate the following:

   1. Date (DD/MM/YYYY) of formation.

   2. Place of formation.

   3. Statute under which the ATS was organized.

3. Provide a copy of the constating documents (including corporate by-laws), shareholder agreements, partnership agreements and other similar documents, and all subsequent amendments.

4. Provide the policies and procedures to address conflicts of interest arising from the operation of the marketplace or the services it provides, including those related to the commercial interest of the marketplace, the interests of its owners and its operators, and the responsibilities and sound functioning of the marketplace.

Exhibit B – Ownership

A list of the registered or beneficial holders of securities of, partnership interests in, or other ownership interests in, the ATS. For each of the persons listed in the Exhibit, please provide the following:

1. Name.

2. Principal business or occupation and title.

3. Ownership interest.

4. Nature of the ownership interest, including a description of the type of security, partnership interest or other ownership interest.

5. Whether the person has control (as interpreted in subsection 1.3(2) of National Instrument 21-101 *Marketplace Operation*).

In the case of an ATS that is publicly traded, if the ATS is a corporation, please only provide a list of each shareholder that directly owns five ~~percent~~% or more of a class of a voting security of the ATS.

Exhibit C – Organization

1. A list of partners, directors, officers, governors, and members of the board of directors and any standing committees of the board, or persons performing similar functions, who presently hold or have held their offices or positions during the previous year, indicating the following for each:

    1. Name.

    2. Principal business or occupation and title.

    3. Dates of commencement and expiry of present term of office or position.

    4. Type of business in which each is primarily engaged and current employer.

    5. Type of business in which each was primarily engaged in the preceding five years, if different from that set out in item 4.

    6. Whether the person is considered to be an independent director.

2. A list of the committees of the board, including their mandates.

Exhibit D – Affiliates

1. For each affiliated entity of the ATS provide the name, head office address and describe the principal business of the affiliate.

2. For each affiliated entity of the ATS

    (i) to which the ATS has outsourced any of its key services or systems affecting the market or facility described in Exhibit E – *Operations of the Marketplace*, including order entry, trading, execution, routing and data, or

    (ii) with which the ATS has any other material business relationship, including loans, cross-guarantees, etc.

    provide the following information:

        1. Name and address of the affiliate.

        2. The name and title of the directors and officers, or persons performing similar functions, of the affiliate.

        3. A description of the nature and extent of the contractual and other agreement with the ATS, and the roles and responsibilities of the affiliate under the arrangement.

        4. A copy of each material contract relating to any outsourced functions or other material relationship.

        5 Copies of constating documents (including corporate by-laws), shareholder agreements, partnership agreements and other similar documents.

Exhibit E – Operations of the Marketplace

Describe in detail the manner of operation of the market and its associated functions. This ~~should~~must include, but is not ~~be~~ limited to, a description of the following:

1. The structure of the market (e.g., call market, auction market, dealer market).

2. Means of access to the market or facility and services, including a description of any co-location arrangements.

3. The hours of operation.

4. A description of the services offered by the marketplace including, but not limited to, order entry, co-location, trading, execution, routing and data.

5. A list of the types of orders offered, including, but not limited to, a description of the features and characteristics of orders.

6. Procedures regarding the entry, display and execution of orders. If indications of interest are used, please describe the information they include and list the types of recipients.

7. ~~Description~~A description of how orders interact, including, but not limited to, the priority of execution for all order types.

8. ~~Description~~A description of order routing procedures.

9. ~~Description~~A description of order and trade reporting procedures.

10. ~~Description~~A description of procedures for clearance and settlement of transactions.

11. The safeguards and procedures of the marketplace to protect trading information of marketplace participants.

12. Training provided to participants and a copy of any materials provided both with respect to systems of the marketplace, the requirements of the marketplace, and the rules of the regulation services providers, if applicable.

13. Steps taken to ensure that marketplace participants have knowledge of and comply with the requirements of the marketplace.

The filer must provide all policies, procedures and trading manuals related to the operation of the marketplace and, if applicable, the order router.

The filer must provide all material contracts relating to order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing.

Exhibit F – Outsourcing

Where the ATS has outsourced the operation of key services or systems affecting the market or facility described in Exhibit E – *Operations of the Marketplace* to an arms-length third party, including any function associated with ~~the~~ routing, trading, execution, clearing and settlement, data and co-location, provide the following information:

1. Name and address of person or company to whom the function has been outsourced.

2. A description of the nature and extent of the contractual or other agreement with the ATS and the roles and responsibilities of the arms-length party under the arrangement.

3. A copy of each material contract relating to any outsourced function.

4. A copy of the marketplace's policies and procedures for the selection of service providers to which key services and systems may be outsourced and for the evaluation and approval of such outsourcing arrangements that are established and maintained pursuant to subsection 5.12(a) of National Instrument 21-101 *Marketplace Operation*.

5. A description of any conflicts of interest between the marketplace and the service provider to which key services and systems are outsourced and a copy of the policies and procedures to mitigate and manage such conflicts of interest that have been established pursuant to subsection 5.12(b) of National Instrument 21-101 *Marketplace Operation*.

6. A description of the measures the marketplace has taken pursuant to subsection 5.12(f) of National Instrument 21-101 *Marketplace Operation* to ensure that the service provider has established, maintains and periodically tests an appropriate business continuity plan, including a disaster recovery plan.

7. A description of the measures the marketplace has taken pursuant to subsection 5.12(g) of National Instrument 21-101 *Marketplace Operation* to ensure that the service provider protects the proprietary, order, trade or any other confidential information of the participants of the marketplace.

8. A copy of the marketplace's processes and procedures to regularly review the performance of a service provider under an outsourcing arrangement that are established pursuant to subsection 5.12(h) of National Instrument 21-101 *Marketplace Operation*.

Exhibit G – Systems and Contingency Planning

General

Provide:

1. ~~For each~~A high level description of the marketplace's systems that support order entry, order routing, execution, trade reporting, trade comparison, data ~~feed~~feeds, co-location and if applicable, market surveillance~~,~~ and trade clearing~~, describe:~~.

2. An organization chart of the marketplace's information technology group.

Business Continuity Planning

Describe:

1. ~~Current and future capacity estimates.~~Where the primary processing site is located,

2. ~~Procedures for reviewing system capacity.~~What the approximate percentage of hardware, software, and network redundancy is at the primary site,

3. ~~Procedures for reviewing system security.~~If there is an uninterruptible power source (UPS) at the primary site,

4. ~~Procedures to conduct stress tests.~~How frequently market data is stored off-site,

5. Whether the marketplace has a secondary processing site and, if so, the location of the secondary processing site,

6. ~~5. A description of the~~The filer's business continuity ~~and~~plan, including the disaster recovery ~~plans, including~~plan. Please provide any relevant documentation~~.~~.

7. ~~6. Procedures to test~~How frequently the business continuity and disaster recovery plans~~.~~ are tested,

8. The targeted time to resume operations of critical information technology systems following the declaration of a disaster by the marketplace,

9. Any single points of failure faced by the marketplace.

Systems Capacity

Describe:

1. How frequently future market activity is evaluated in order to adjust processing capacity,

2. The approximate excess capacity maintained over average daily transaction volumes,

3. How often or at what point stress testing is performed.

Systems

Describe:

1. Whether the trading engine was developed in-house or by a commercial vendor,

2. Whether the trading engine is maintained in-house or by a commercial vendor and provide the name of the commercial vendor, if applicable,

3. The marketplace's networks. Please provide a copy of the network diagram used in-house that covers order entry, real-time market data and transmission,

4. The message protocols supported by the marketplace's systems,

5. The transmission protocols used by the marketplace's systems.

IT Risk Assessment

Describe the IT risk assessment framework, including:

1. How the probability and likelihood of IT threats are considered,

2. How the impact of risks are measured according to qualitative and quantitative criteria,

3. The documentation process for acceptable residual risks with related offsets, and

4. The development of management's action plan to implement a risk response to a risk that has not been accepted.

Exhibit H – Custody of Assets

1. If the ATS proposes to hold funds or securities of a marketplace participant on a regular basis, a description of the controls that will be implemented to ensure the safety of the funds or securities.

2. If any other person or company, other than the ATS, will hold or safeguard funds or securities of a marketplace participant on a regular basis, provide the name of the person or company and a description of the controls that will be implemented to ensure the safety of the funds or securities.

Exhibit I – Securities

List the types of securities that are traded on the ATS, indicating the exchange(s) on which such securities are listed. If this is an initial filing, list the types of securities the ATS expects to trade.

Exhibit J – Access to Services

1. complete set of all forms, agreements or other materials pertaining to access to the services of the marketplace described in Exhibit E- item 4, including trading on the ATS.

2. Describe the classes of marketplace participants (i.e. dealer, institution, or retail).

3. Describe the ATS's criteria for access to the services of the marketplace.

4. Describe any differences in access to the services offered by the marketplace to different groups or classes of marketplace participants.

5. Describe conditions under which marketplace participants may be subject to suspension or termination with regard to access to the services of the ATS.

6. Describe any procedures that will be involved in the suspension or termination of a marketplace participant.

7. Describe the ATS's arrangements for permitting clients of marketplace participants to have access to the marketplace. Provide a copy of any agreements or documentation relating to these arrangements.

Exhibit K – Marketplace Participants

Provide an alphabetical list of all marketplace participants, including the following information:

1. Name.

2. Date of becoming a marketplace participant.

3. Describe the type of trading activities primarily engaged in by the marketplace participant (*e.g.*, agency trading, proprietary trading, registered trading, market making).

4. The class of participation or other access. Identify if the marketplace participant accesses the marketplace through co-location.

5. Provide a list of all persons or entities that were denied or limited access to the marketplace, indicating for each:

   (i) whether they were denied or limited access;

   (ii) the date the marketplace took such action;

   (iii) the effective date of such action; and

   (iv) the nature and reason for any denial or limitation of access.

Exhibit L – Fees

A description of the fee model and all fees charged by the marketplace, or by a party to whom services have been directly or indirectly outsourced, including, but not limited to, fees relating to connecting to the market or facility, access, data, regulation (if applicable), trading, routing, and co-location, how such fees are set and any fee rebates or discounts and how the rebates or discounts are set.

Exhibit M – Regulation

The ATS has contracted with regulation services provider _____ to perform market regulation for ATS and its subscribers. Provide a copy of the contract between the filer and the regulation services provider.

Exhibit N – Acknowledgement

The form of acknowledgement required by subsections 5.9(2) and 6.11(2) of National Instrument 21-101 *Marketplace Operation*.

CERTIFICATE OF ALTERNATIVE TRADING SYSTEM

The undersigned certifies that the information given in this report is true and correct.

DATED at _____ this _____ day of _____ 20___

_____
(Name of alternative trading system)

_____
(Name of director, officer or partner – please type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity – please type or print)

FORM 21-101F3
QUARTERLY REPORT OF MARKETPLACE ACTIVITIES

A – General Marketplace Information

1. Marketplace Name:

2. Period covered by this report:

3. Identification

   A. Full name of marketplace (if sole proprietor, last, first and middle name):

   B. Name(s) under which business is conducted, if different from item A:

   C. Marketplace main street address:

4. ~~Attach as **Exhibit A** a current list of all marketplace participants at the end of the period covered by this report, identifying those market participants that are using the marketplace's co-location services, if any. For each marketplace participant, indicate the number of trader IDs that may access the marketplace.~~

~~5. Attach as **Exhibit B** a list of all marketplace participants granted, denied or limited access to the marketplace during the period covered by this report, indicating for each marketplace participant: (a) whether they were granted, denied or limited access; (b) the date the marketplace took such action; (c) the effective date of such action; and (d) the nature of any denial or limitation of access.~~6. A list of all amendments in the information in Form 21-101F1 or 21-101F2 that were filed with the Canadian securities regulatory authorities and implemented during the period covered by the report. The list must include a brief description of each amendment, the date filed and the date implemented.

~~7.~~5. A list of all amendments in the information in Form 21-101F1 or 21-101F2 that have been filed with the Canadian securities regulatory authorities but not implemented as of the end of the period covered by the report. The list must include a brief description of each amendment, the date filed and the reason why it was not implemented.

~~8.~~6. Systems – If any outages occurred at any time during the period for any system relating to trading activity, including trading, routing or data, provide the date, duration ~~and~~, reason for the outage and its resolution.

7. Systems Changes – A brief description of any significant changes to the systems and technology used by the marketplace that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, co-location and if applicable, market surveillance and trade clearing that were planned, under development, or implemented during the quarter. Please provide the current status of the changes that are under development.

B. – Marketplace Activity Information

Section 1 – Equity Marketplaces Trading Exchange-Listed Securities

1. **General trading activity** – For each type of security traded on the marketplace, provide the details (where appropriate) requested in the form set out in **Chart 1**. The information ~~should~~must be provided for transactions executed at the opening of the market, during regular trading hours, and after hours during the quarter. Enter "None", "N/A", or "0" where appropriate.

Chart 1 – General trading activity for equity marketplaces trading exchange-listed securities

Category of Securities	Volume		Value		Number of Trades	
	Transparent	Non-transparent	Transparent	Non-transparent	Transparent	Non-transparent
Exchange-Traded Securities						
1. Equity (includes preferred shares)						

2. Exchange-traded funds (ETFs)						
3. Debt securities						
4. Options						

Foreign Exchange-Traded Securities						
1. Equity (includes preferred shares)						
2. ETFs						
3. Debt securities						
4. Options						

2. **Crosses** – Provide the details (where appropriate) requested in the form set out in **Chart 2** below for each type of cross executed on the marketplace for trades executed at the opening of the market, during regular trading and after hours during the quarter. Enter “None”, “N/A”, or “0” where appropriate.

Chart 2 – Crosses

Types of Crosses	~~%~~ Volume	~~%~~ Value	~~%~~ Number of Trades
~~**% of exchange-traded securities that are**~~			
1. Intentional Crosses[1]			
2. Internal crosses			
3. Other crosses			

3. Order information – Provide the details (where appropriate) requested in the form set out in **Chart 3** below for each type of order in exchange traded securities executed on the marketplace for orders entered at the opening of the market, during regular trading and after hours during the quarter. Enter “none”, “N/A”, or “0” where appropriate.

Chart 3 – Order information

Types of Orders	Number of Orders	~~%~~ Orders Executed	~~%~~ Orders Cancelled[2]
1. Anonymous[3]			
2. Fully transparent			
3. Pegged Orders			
4. Fully hidden			
5. Separate dark facility of a transparent market			
6. Partially hidden (reserve)			

1 See definition of an Internal and Intentional Cross in Section 1.1 of the Universal Market Integrity Rules.

2 By cancellations, we mean "pure" cancellations, i.e. cancellations that do not result in a new and amended order.

3 Orders executed under ID 001.

7. Total number of orders entered during the quarter			

4. Trading by security – Provide the details requested in the form set out in **Chart 4** below for the 10 most traded securities on the marketplace (based on the volume of securities traded) for trades executed at the opening of the market, during regular trading and after hours during the quarter. Enter "None", "N/A", or "0" where appropriate.

Chart 4 – Most traded securities

Category of Securities	Volume	Value	Number of Trades
Exchange-Traded Securities			
1. Equity (includes preferred shares) [Name of Securities] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.			
2. ETFs [Name of Securities] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.			
3. Debt [Enter issuer, maturity and coupon] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.			
Foreign Exchange-Traded Securities			
1. Equity (includes preferred shares) [Name of Securities] 1. 2. 3. 4. 5. 6. 7.			

8. 9. 10.			
2. ETFs [Name of Securities] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.			
3. Debt [Name of Securities] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.			

5. Trading by marketplace participant – Provide the details requested in the form set out in **Chart 5** below for the top 10 marketplace participants (based on the volume of securities traded). The information ~~should~~must be provided for the total trading volume, including for trades executed at the opening of the market, during regular trading and after hours during the quarter. Enter "None", "N/A", or "0" where appropriate. Where a marketplace's marketplace participants are dealers and non-dealers, the marketplace ~~should~~must complete a separate chart for each.

Chart 5 – Concentration of trading by marketplace participant

Marketplace Participant Name	Total Active Volume	Total Passive Volume
1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		

6. Routing activities – Indicate the percentage of marketplace participants that used marketplace-owned or third party or affiliated routing services during the reporting period. In addition, provide the information in **Chart 6** below.

Chart 6 – Routing of marketplace orders

Number of orders executed on the reporting marketplace	
Number of orders routed to away marketplaces (list all marketplaces where orders were routed)	

Number of orders that are marked and treated as Directed Action Orders (DAO)	

~~**7. Co-location –** Indicate the percentage of marketplace participants that are using the marketplace's co-location services, if any.~~

Section 2 – Fixed Income Marketplaces

1. General trading activity – Provide the details (where appropriate) requested in the form set out in **Chart 7** below for each type of fixed income security traded on the marketplace for transactions executed during regular trading hours during the quarter. Enter "None", "N/A", or "0" where appropriate.

Chart 7 – Fixed income activity

Category of Securities	Value Traded	Number of Trades
Domestic Unlisted Debt Securities – Government		
1. Federal		
2. Federal Agency		
3. Provincial and Municipal		
Domestic Unlisted Debt Securities – Corporate		
Domestic Unlisted Debt Securities – Other		
Foreign Unlisted Debt Securities – Government		
Foreign Unlisted Debt Securities – Corporate		
Foreign Unlisted Debt Securities – Other		

2. Trading by security – Provide the details requested in the form set out in **Chart 8** below for ~~the 10 most traded~~ each fixed income ~~securities~~security traded on the marketplace ~~(based on the value of the volume traded) for trades executed~~ during regular trading hours during the quarter. Enter "None", "N/A", or "0" where appropriate.

Chart 8 – ~~Most traded~~Traded fixed income securities

Category of Securities	Value Traded	Number of Trades
Domestic Unlisted Debt Securities – **Government** 1. Federal [Enter issuer, maturity, coupon] ~~1.~~ ~~2.~~ ~~3.~~ ~~4.~~ ~~5.~~ ~~6.~~ ~~7.~~ ~~8.~~ ~~9.~~ ~~10.~~		

Category of Securities	Value Traded	Number of Trades
2. Federal Agency [Enter issuer, maturity, coupon] ~~1.~~ ~~2.~~ ~~3.~~ ~~4.~~ ~~5.~~ ~~6.~~ ~~7.~~ ~~8.~~ ~~9.~~ ~~10.~~		
3. Provincial and Municipal [Enter issuer, maturity, coupon] ~~1.~~ ~~2.~~ ~~3.~~ ~~4.~~ ~~5.~~ ~~6.~~ ~~7.~~ ~~8.~~ ~~9.~~ ~~10.~~		
Domestic Unlisted Debt Securities – **Corporate** [Enter issuer, maturity, coupon] ~~1.~~ ~~2.~~ ~~3.~~ ~~4.~~ ~~5.~~ ~~6.~~ ~~7.~~ ~~8.~~ ~~9.~~ ~~10.~~		
Domestic Unlisted Debt Securities – **Other** [Enter issuer, maturity, coupon] ~~1.~~ ~~2.~~ ~~3.~~ ~~4.~~ ~~5.~~ ~~6.~~ ~~7.~~ ~~8.~~ ~~9.~~ ~~10.~~		

Category of Securities	Value Traded	Number of Trades
Foreign Unlisted Debt Securities – **Government** [Enter issuer, maturity, coupon] ~~1.~~ ~~2.~~ ~~3.~~ ~~4.~~ ~~5.~~ ~~6.~~ ~~7.~~ ~~8.~~ ~~9.~~ ~~10.~~		
Foreign Unlisted Debt Securities – **Corporate** [Enter issuer, maturity, coupon] ~~1.~~ ~~2.~~ ~~3.~~ ~~4.~~ ~~5.~~ ~~6.~~ ~~7.~~ ~~8.~~ ~~9.~~ ~~10.~~		
Foreign Unlisted Debt Securities – **Other** [Enter issuer, maturity, coupon] ~~1.~~ ~~2.~~ ~~3.~~ ~~4.~~ ~~5.~~ ~~6.~~ ~~7.~~ ~~8.~~ ~~9.~~ ~~10.~~		

3. Trading by marketplace participant – Provide the details requested in the form set out in **Chart 9** below for the top 10 marketplace participants for trades executed during regular trading hours during the quarter. Enter "None", "N/A", or "0" where appropriate. If marketplace participants are dealers and non-dealer institutions, the marketplace ~~should~~must complete a separate chart for each.

Chart 9 – Concentration of trading by marketplace participant

Marketplace Participant Name	Value Traded
1. 2. 3. 4. 5. 6. 7. 8. 9. 10.	

Section 3 – Securities Lending Marketplaces

1. General lending activity – Please provide details (where appropriate) requested in the form set out in **Chart 10** below for each type of securities loaned on the marketplace. Enter "None", "N/A" or "0" where appropriate.

Chart 10 – Lending activity

Category of Securities	Quantity of Securities Lent During the Quarter	Aggregate Value of Securities Lent During the Quarter
Domestic		
1. Corporate Equity Securities		
1.1. Common Shares		
1.2. Preferred Shares		
2. Non-Corporate Equity Securities (e.g. trust units, partnership units, etc.) (please specify)		
3. Government Debt Securities		
4. Corporate Debt Securities		
5. Other Fixed Income Securities (please specify)		
Foreign		
1. Corporate Equity Securities		
1.1. Common Shares		
1.2. Preferred Shares		
2. Non-Corporate Equity Securities (e.g. trust units, partnership units, etc.) (Please specify)		
3. Government Debt Securities		
4. Corporate Debt Securities		
5. Other Fixed Income Securities (please specify)		

2. Trading by marketplace participant – Provide the details requested in the form set out in **Chart 11** and **Chart 12** below for the top 10 borrowers and lenders based on their aggregate value of securities borrowed or loaned, respectively, during the quarter.

Chart 11 – Concentration of activity by borrower

Borrower Name	Aggregate Value of Securities Borrowed During the Quarter
1. 2. 3. 4. 5. 6. 7. 8. 9. 10.	

Chart 12 – Concentration of activity by lender

Lender Name	Aggregate Value of Securities Loaned During the Quarter
1. 2. 3. 4. 5. 6. 7. 8. 9. 10.	

3. Lending activity by security – Provide the details requested in the form set out in **Chart 13** below for the 10 most loaned securities on the marketplace (based on the quantity of securities loaned during the quarter). Enter "None", "N/A" or "0" where appropriate.

Chart 13 – Most loaned securities

Category of Securities	Quantity of Securities Lent During the Quarter	Aggregate Value of Securities Lent During the Quarter
Domestic		
1. Common Shares [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		
2. Preferred Shares [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		

3. Non-Corporate Equity Securities [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		
4. Government Debt Securities [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		
5. Corporate Debt Securities [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		
6. Other Fixed Income Securities [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		

Foreign		
1. Common Shares [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		
2. Preferred Shares [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		
3. Non-Corporate Equity Securities [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		
4. Government Debt Securities [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		

5. Corporate Debt Securities [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		
6. Other Fixed Income Securities [Name of Security] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.		

Section 4 – Derivatives Marketplaces in Quebec

1. **General trading activity** – For each category of product traded on the marketplace, provide the details (where appropriate) requested in the form set out in **Chart 14** below. For products other than options on ETFs and equity options, provide the details on a product-by-product basis in the appropriate category. Details for options on ETFs and equity options ~~should~~must be provided on an aggregate basis (one total for options on ETFs and one for options on equities). The information ~~should~~must be provided for transactions executed in the early session, during the regular session, and in the extended session during the quarter. Enter "None", "N/A", or "0" where appropriate.

Chart 14 – General trading activity

Category of Product	Volume	Number of Trades	Open Interest (Number/End of Quarter)
Futures Products			
1(a) Interest rate – short term			
1(b) Interest rate – long term			
2. Index			
3. ETF			
4. Equity			
5. Currency			
6. Energy			
7. Others, please specify			
Options Products			
1(a) Interest rate -short term			
1(b) Interest rate – long term			
2. Index			

3. ETF			
4. Equity			
5. Currency			
6. Energy			
7. Others, please specify			

2. Trades resulting from pre-negotiation discussions – Provide the details (where appropriate) requested in the form set out in **Chart 15** below by product and for each type of trade resulting from pre-negotiation discussions. For products other than options on ETFs and equity options, provide the details on a product-by-product basis in the appropriate category. Details for options on ETFs and equity options ~~should~~must be provided on an aggregate basis (one total for options on ETFs and one for options on equities). The information ~~should~~must be provided for trades executed in the early session, during the regular session and in the extended session during the quarter. Enter "None", "N/A", or "0" where appropriate.

Chart 15 –Trades resulting from pre-negotiation discussions

Type of Trade	~~% of~~ Volume	~~%~~ Number of Trades
Futures Products		
A. Cross		
B. Pre-arranged		
C. Block		
D. Exchange for physical		
E. Exchange for risk		
F. Riskless basis cross		
G. Others, please specify		
Options Products		
A. Cross		
B. Pre-arranged		
C. Block		
D. Others, please specify		

3. Order information – Provide the details (where appropriate) requested in the form set out in **Chart 16** below by product and for each type of order in exchange traded contracts executed on the marketplace. For products other than options on ETFs and equity options, provide the details on a product-by-product basis in the appropriate category. Details for options on ETFs and equity options ~~should~~must be provided on an aggregate basis (one total for options on ETFs and one for options on equities). The information ~~should~~must be provided for orders entered in the early session, during the regular session and in the extended session during the quarter. Enter "none", "N/A", or "0" where appropriate.

Chart 16 – Order Information

Type of Orders	~~%~~ Volume	~~%~~ Number of Trades
1. Anonymous		
2. Fully transparent		
3. Pegged orders		
4. Fully hidden		
5. Separate dark facility of a		

transparent market		
6. Partially hidden (reserve, for example, iceberg orders)		

4. **Trading by product** – Provide the details requested in the form set out in **Chart 17** below. For each product other than options on ETFs and equity options, list the most actively-traded contracts (by volume) on the marketplace that in the aggregate constitute at least 75% of the total volume for each product during the quarter. The list must include at least 3 contracts. For options on ETFs and equity options ~~should~~must be provided on an aggregate basis (one total for options on ETFs and one for options on equities). The information ~~should~~must be provided for trades executed in the early session, during the regular session and in the extended session during the quarter. Enter "None", "N/A", or "0" where appropriate.

Chart 17 – Most traded contracts

Category of Product	Volume	Number of Trades	Open Interest (Number/End of Quarter)
Futures Products			
1. Name of products – 3 most-traded contracts (or more as applicable) 1. 2. 3.			

Options Products			
2. ETF [Classes] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.			
3. Equity [Classes] 1. 2. 3. 4. 5. 6. 7. 8. 9. 10.			
4. Other listed options (specify for each) – 3 most traded contracts (or more as applicable) 1. 2. 3.			

5. Concentration of trading by marketplace participant – Provide the details requested in the form set out in **Chart 18** below. For each product other than options on ETFs and equity options, list the top marketplace participants whose aggregate trading (by volume) constituted at least 75% of the total volume traded. The list must include at least 3 marketplace participants. For options on ETFs and equity options, provide the top 10 most active marketplace participants (by volume). The information ~~should~~must be provided on an aggregate basis (one total for options on ETFs and one for options on equities). The information ~~should~~must be provided for trades executed in the early session, during the regular session and in the extended session during the quarter. Enter "None", "N/A", or "0" where appropriate.

Chart 18 – Concentration of trading by marketplace participant

Product Name	Marketplace Participant Name	Volume
Futures		
Product Name (specify for each)	1. 2. 3. (more if necessary)	
Options		
ETF	1. 2. 3. 4. 5. 6. 7. 8. 9. 10.	
Equity	1. 2. 3. 4. 5. 6. 7. 8. 9. 10.	
Other options (specify for each)	1. 2. 3. (more if necessary)	

~~**6. Co-location**~~

~~Indicate the percentage of marketplace participants that are using the marketplace's co-location services, if any.~~

C. – Certificate of Marketplace

The undersigned certifies that the information given in this report relating to the marketplace is true and correct.

DATED at_____this_____day of_____20___

_____
(Name of Marketplace)

_____
(Name of director, officer or partner – please type or print)

_____

(Signature of director, officer or partner)

_____

(Official capacity – please type or print)

FORM 21-101F4

CESSATION OF OPERATIONS REPORT FOR ALTERNATIVE TRADING SYSTEM

1. Identification:

   A. Full name of alternative trading system (if sole proprietor, last, first and middle name):

   B. Name(s) under which business is conducted, if different from item 1A:

2. Date alternative trading system proposes to cease carrying on business as an ATS:

3. If cessation of business was involuntary, date alternative trading system has ceased to carry on business as an ATS:

4. Please check the appropriate box:

   ❑ the ATS intends to carry on business as an exchange and has filed Form 21-101F1.
   ❑ the ATS intends to cease to carry on business.
   ❑ the ATS intends to become a member of an exchange.

Exhibits

File all Exhibits with the Cessation of Operations Report. For each exhibit, include the name of the ATS, the date of filing of the exhibit and the date as of which the information is accurate (if different from the date of the filing). If any Exhibit required is inapplicable, a statement to that effect ~~shall~~must be furnished instead of such Exhibit.

Exhibit A

The reasons for the alternative trading system ceasing to carry on business as an ATS.

Exhibit B

A list of each of the securities the alternative trading system trades.

Exhibit C

The amount of funds and securities, if any, held for subscribers by the alternative trading system, or another person or company retained by the alternative trading system to hold funds and securities for subscribers and the procedures in place to transfer or to return all funds and securities to subscribers.

CERTIFICATE OF ALTERNATIVE TRADING SYSTEM

The undersigned certifies that the information given in this report is true and correct.

DATED at _____ this _____ day of _____ 20 _____

_____
(Name of alternative trading system)

_____
(Name of director, officer or partner – please type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity – please type or print)

FORM 21-101F5

~~INITIAL OPERATION REPORT FOR~~ INFORMATION STATEMENT
INFORMATION PROCESSOR

TYPE OF FILING:

❑ **INITIAL FORM** ❑ **AMENDMENT ; AMENDMENT No. _____**

GENERAL INFORMATION

1. Full name of information processor:

2. Name(s) under which business is conducted, if different from item 1:

3. If this filing makes a name change on behalf of the information processor in respect of the name set out in item 1 or item 2, enter the previous name and the new name:

   Previous name:

   New name:

4. Head office

   Address:

   Telephone:

   Facsimile:

5. Mailing address (if different):

6. Other offices

   Address:

   Telephone:

   Facsimile:

7. Website address:

8. Contact employee

   Name and title:

   Telephone number:

   Facsimile:

   E-mail address:

9. Counsel

   Firm name:

   Contact name:

   Telephone number:

   Facsimile:

   E-mail address:

10. List of all marketplaces, dealers or other parties for which the information processor is acting or for which it proposes to act as an information processor. For each marketplace, dealer or other party, provide a description of the function(s) which the information processor performs or proposes to perform.

11. List all types of securities for which information will be collected, processed, distributed or published by the information processor. For each such marketplace, dealer or other party, provide a list of all securities for which information with respect to quotations for, or transactions in, is or is proposed to be collected, processed, distributed or published.

Exhibits

File all Exhibits with the Initial Form. For each Exhibit, include the name of the information processor, the date of filing of the Exhibit and the date as of which the information is accurate (if different from the date of the filing). If any Exhibit required is inapplicable, a statement to that effect ~~shall~~must be furnished instead of such Exhibit.

If the information processor files an amendment to the information provided in its Initial Form, and the information relates to an Exhibit filed with the Initial Form or a subsequent amendment, the information processor must, in order to comply with sections 14.1 and 14.2 of National Instrument 21-101, provide a description of the change, the expected date of the implementation of the change, and file a complete and updated Exhibit. The information processor must provide a clean and a blacklined version showing changes from the previous filing.

Exhibit A – Corporate Governance

1. Legal status:

   ❑ Corporation

   ❑ Sole Proprietorship

   ❑ Partnership

   ❑ Other (specify):

2. Except where the information processor is a sole proprietorship, indicate the date and place where the information processor obtained its legal status (e.g., place of incorporation, place where partnership agreement was filed or where information processor was formed):

   a) Date (DD/MM/YYYY) of formation.

   b) Place of formation.

   c) Statute under which the information processor was organized.

3. Provide a copy of the constating documents (including corporate by-laws), shareholder agreements, partnership agreements and other similar documents, and all subsequent documents.

4. Provide the policies and procedures which promote independence of the information processor from the marketplaces, inter-dealer bond brokers and dealers that provide data.

5. Provide the policies and procedures which address the potential conflicts of interest between the interests of the information processor and its owners, partners, directors and officers.

Exhibit B – Ownership

List any person or company who owns 10 percent or more of the information processor's outstanding shares or who, either directly or indirectly, through agreement or otherwise, in any other manner, may control or direct the management or policies of the information processor. Provide the full name and address of each such person and attach a copy of the agreement or, if there is none written, describe the agreement or basis through which such person exercises or may exercise such control or direction.

Exhibit C – Organization

1. A list of the partners, directors, governors, and members of the board of directors and any standing committees of the board, or persons performing similar functions, who presently hold or have held their offices or positions during the previous year, identifying those individuals with overall responsibility for the integrity and timeliness of data reported to and displayed by the system (the "System") of the information processor, indicating the following for each:

1. Name.

2. Principal business or occupation and title.

3. Dates of commencement and expiry of present term of office or position.

4. Type of business in which each is primarily engaged and current employer.

5. Type of business in which each was primarily engaged in the preceding five years, if different from that set out in item 4.

6. Whether the person is considered to be an independent director.

7. A list of the committees of the board, including their mandates.

8. A narrative or graphic description of the organizational structure of the information processor.

Exhibit D – Staffing

A description of the personnel qualifications for each category of professional, non-professional and supervisory employee employed by the information processor. Detail whether the personnel are employed by the information processor or a third party, identifying the employees responsible for monitoring the timeliness and integrity of data reported to and displayed by the System.

Exhibit E – Affiliates

For each affiliated entity of the information processor, and for any person or company with whom the information processor has a contractual or other agreement relating to the operations of the information processor, including loans or cross-guarantees, provide the following information:

1. Name and address of person or company.

2. Form of organization (e.g., association, corporation, partnership, etc.).

3. Name of location and statute citation under which organized.

4. Date of incorporation in present form.

5. Description of nature and extent of affiliation and/or contractual or other agreement with the information processor.

6. Description of business or functions of the affiliates.

7. If a person or company has ceased to be an affiliated entity of the information processor during the previous year or ceased to have a contractual or other agreement relating to the operation of the information processor during the previous year, provide a brief statement of the reasons for termination of the relationship.

Exhibit F – Services

A description in narrative form of each service or function performed by the information processor. Include a description of all procedures utilized for the collection, processing, distribution, validation and publication of information with respect to orders and trades in securities.

Exhibit G – System and Operations

1. Describe the manner of operation of the System of the information processor that collects, processes, distributes and publishes information in accordance with National Instruments 21-101 and 23-101. This description ~~should~~must include the following:

    1. The means of access to the System.

    2. Procedures governing entry and display of quotations and orders in the System including data validation processes.

    3. A description of any measures used to verify the timeliness and accuracy of information received and disseminated by the ~~system~~System, including the processes to resolve data integrity issues identified.

    4. The hours of operation of the System.

5. ~~Description~~A description of the training provided to users of the System and any materials provided to the users.

2. Include a list of all computer hardware utilized by the information processor to perform the services or functions listed in Exhibit F, indicating:

   1. Manufacturer, and manufacturer's equipment and identification number.

   2. Whether purchased or leased (if leased, duration of lease and any provisions for purchase or renewal).

   3. Where such equipment (exclusive of terminals and other access devices) is physically located.

3. Provide a description of the measures or procedures implemented by the information processor to provide for the security of any system employed to perform the functions of an information processor. This ~~should~~must include a general description of any physical and operational safeguards designed to prevent unauthorized access to the system.

4. Provide a description of all backup systems which are designed to prevent interruptions in the performance of any information providing functions as a result of technical malfunctions or otherwise in the system itself, in any permitted input or output system connection or as a result of any independent source.

5. Describe the business continuity and disaster recovery plans of the information processor, and provide any relevant documentation.

6. List each type of interruption which has lasted for more than two minutes and has occurred within the six (6) months preceding the date of the filing, including the date of each interruption, the cause and duration. Provide the total number of interruptions which have lasted two minutes or less.

7. Describe the procedures for reviewing system capacity, and indicate current and future capacity estimates.

8. Quantify in appropriate units of measure the limits on the information processor's capacity to receive, collect, process, store or display the data elements included within each function.

9. Identify the factors (mechanical, electronic or other) which account for the current limitations on the capacity to receive, collect, process, store or display the data elements included within each function described in section 8 above.

10. Describe the procedures for conducting stress tests.

Exhibit H – Outsourcing

Where the information processor has outsourced the operation of any aspect of the services listed in Exhibit F to an arms-length third party, including any function related to the collection, consolidation, and dissemination of data, provide the following information:

1. Name and address of person or company to whom the function has been outsourced.

2. A description of the nature and extent of the contractual or other agreement with the information processor, and the roles and responsibilities of the arms-length third party under the arrangement.

3. A copy of each material contract relating to any outsourced function.

Exhibit I – Financial Viability

1. Provide a business plan with pro forma financial statements and estimates of revenue.

2. Discuss the financial viability of the information processor in the context of having sufficient financial resources to properly perform its functions.

Exhibit J – Fees and Revenue Sharing

1. Provide a complete list of all fees and other charges imposed, or to be imposed, by or on behalf of the information processor for its information services. This would include all fees to provide data and fees to receive the data from the information processor.

2. Where arrangements ~~exists~~exist to share revenue from the sale of data disseminated by the information processor with marketplaces, inter-dealer bond brokers and dealers that provide data to the information processor in accordance with National Instrument 21-101, provide a complete description of the arrangements and the basis for these arrangements.

Exhibit K – Reporting to the Information Processor

1. List all persons and entities that provide data to the information processor in accordance with the requirements of National Instrument 21-101.

2. Provide a complete set of all forms, agreements and other materials pertaining to the provision of data to the information processor.

3. A description of any specifications or criteria required of marketplaces, inter-dealer bond brokers or dealers ~~who~~that provide securities information to the information processor for collection, processing for distribution or publication. Identify those specifications or criteria which limit, are interpreted to limit or have the effect of limiting access to or use of any services provided by the information processor and state the reasons for imposing such specifications or criteria.

4. For each instance during the past year in which any person or entity has been prohibited or limited to provide data by the information processor, indicate the name of each such person or entity and the reason for the prohibition or limitation.

Exhibit L – Access to the Services of the Information Processor

1. A list of all persons and entities who presently subscribe or who have notified the information processor of their intention to subscribe to the services of the information processor.

2. The form of contract governing the terms by which persons may subscribe to the services of an information processor.

3. A description of any specifications or criteria which limit, are interpreted to limit or have the effect of limiting access to or use of any services provided by the information processor and state the reasons for imposing such specifications or criteria. This applies to limits relating to providing information to the information processor and the limits relating to accessing the consolidated feed distributed by the information processor.

4. For each instance during the past year in which any person has been prohibited or limited in respect of access to services offered by the information processor, indicate the name of each such person and the reason for the prohibition or limitation.

Exhibit M – Selection of Securities for which Information Must Be Reported to the Information Processor

Where the information processor is responsible for making a determination of the data which must be reported, including the securities for which information must be reported in accordance with National Instrument 21-101, describe the manner of selection and communication of these securities. This description ~~should~~must include the following:

1. The criteria used to determine the securities for which information must be reported and the data which must be reported to the information processor.

2. The process for selection of the securities, including a description of the parties consulted in the process and the frequency of the selection process.

3. The process to communicate the securities selected and data to be reported to the marketplaces, inter-dealer bond brokers and dealers providing the information as required by National Instrument 21-101. The description ~~should~~must include where this information is located.

CERTIFICATE OF INFORMATION PROCESSOR

The undersigned certifies that the information given in this report is true and correct.

DATED at _____ this _____ day of _____ 20_____

_____
(Name of information processor)

_____
(Name of director, officer or partner – please type or print)

_____

(Signature of director, officer or partner)

_____

(Official capacity – please type or print)

FORM 21-101F6

CESSATION OF OPERATIONS REPORT FOR INFORMATION PROCESSOR

1. Identification:

   A. Full name of information processor:

   B. Name(s) under which business is conducted, if different from item 1A:

2. Date information processor proposes to cease carrying on business:

3. If cessation of business was involuntary, date information processor ceased to carry on business:

Exhibits

File all Exhibits with the Cessation of Operations Report. For each Exhibit, include the name of the information processor, the date of filing of the Exhibit and the date as of which the information is accurate (if different from the date of the filing). If any Exhibit required is inapplicable, a statement to that effect ~~shall~~must be furnished instead of such Exhibit.

Exhibit A

The reasons for the information processor ceasing to carry on business.

Exhibit B

A list of each of the securities the information processor displays.

CERTIFICATE OF INFORMATION PROCESSOR

The undersigned certifies that the information given in this report is true and correct.

DATED at _____ this _____ day of _____ 20 _____

_____
(Name of information processor)

_____
(Name of director, officer or partner – please type or print)

_____
(Signature of director, officer or partner)

_____
(Official capacity – please type or print)

COMPANION POLICY 21-101 CP TO
NATIONAL INSTRUMENT 21-101 MARKETPLACE OPERATION

PART 1 INTRODUCTION

1.1 Introduction – Exchanges, quotation and trade reporting systems and ATSs are marketplaces that provide a market facility or venue on which securities can be traded. The areas of interest from a regulatory perspective are in many ways similar for each of these marketplaces since they may have similar trading activities. The regulatory regime for exchanges and quotation and trade reporting systems arises from the securities legislation of the various jurisdictions. Exchanges and quotation and trade reporting systems are recognized under orders from the Canadian securities regulatory authorities, with various terms and conditions of recognition. ATSs, which are not recognized as exchanges or quotation and trade reporting systems, are regulated under National Instrument 21-101 *Marketplace Operation* (the Instrument) and National Instrument 23-101 *Trading Rules* (NI 23-101). The ~~Instruments,~~Instrument and NI 23-101, which were adopted at a time when new types of markets were emerging, provide the regulatory framework that allows and regulates the operation of multiple marketplaces.

The purpose of this Companion Policy is to state the views of the Canadian securities regulatory authorities on various matters related to the Instrument, including:

(a) a discussion of the general approach taken by the Canadian securities regulatory authorities in, and the general regulatory purpose for, the Instrument; and

(b) the interpretation of various terms and provisions in the Instrument.

1.2 Definition of Exchange-Traded Security – Section 1.1 of the Instrument defines an "exchange-traded security" as a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of the Instrument and NI 23-101.

If a security trades on a recognized exchange or recognized quotation and trade reporting system on a “when issued” basis, as defined in IIROC’s Universal Market Integrity Rules, the security would be considered to be listed on that recognized exchange or quoted on that recognized quotation and trade reporting system and would therefore be an exchange-traded security.

If no “when issued” market has been posted by a recognized exchange or recognized quotation and trade reporting system for a security, an ATS may not allow this security to be traded on a “when issued” basis on its marketplace.

A security that is inter-listed would be considered to be an exchange-traded security. A security that is listed on a foreign exchange or quoted on a foreign quotation and trade reporting system, but is not listed or quoted on a domestic exchange or quotation and trade reporting system, falls within the definition of “foreign exchange-traded security”.

1.3 Definition of Foreign Exchange-Traded Security – The definition of foreign exchange-traded security includes a reference to ordinary members of the International Organization of Securities Commissions (IOSCO). To determine the current list of ordinary members, reference should be made to the IOSCO website at www.iosco.org.

1.4 Definition of Regulation Services Provider – The definition of regulation services provider is meant to capture a third party provider that provides regulation services to marketplaces. A recognized exchange or recognized quotation and trade reporting system would not be a regulation services provider if it only conducts these regulatory services for its own marketplace or an affiliated marketplace.

PART 2 MARKETPLACE

2.1 Marketplace

(1) The Instrument uses the term "marketplace" to encompass the different types of trading systems that match trades. A marketplace is an exchange, a quotation and trade reporting system or an ATS. ~~Paragraphs (c~~Subparagraphs (a)(iii) and (~~d~~a)(iv) of the definition of "marketplace" describe marketplaces that the Canadian securities regulatory authorities consider to be ATSs. A dealer that internalizes its orders ~~off~~for exchange-traded securities and does not execute and print the trades on an exchange or quotation and trade reporting system in accordance with the rules of the exchange or the quotation and trade reporting system (including an exemption from those rules) is considered to be a marketplace pursuant to paragraph (d) of the definition of "marketplace" and an ATS.

(2) Two of the characteristics of a "marketplace" are

(a) that it brings together orders for securities of multiple buyers and sellers; and

(b) that it uses established, non-discretionary methods under which the orders interact with each other.

(3) The Canadian securities regulatory authorities consider that a person or company brings together orders for securities if it

(a) displays, or otherwise represents to marketplace participants, trading interests entered on the system; or

(b) receives orders centrally for processing and execution (regardless of the level of automation used).

(4) The Canadian securities regulatory authorities are of the view that "established, nondiscretionary methods" include any methods that dictate the terms of trading among the multiple buyers and sellers entering orders on the system. Such methods include providing a trading facility or setting rules governing trading among marketplace participants. Common examples include a traditional exchange and a computer system, whether comprised of software, hardware, protocols, or any combination thereof, through which orders interact, or any other trading mechanism that provides a means or location for the bringing together and execution of orders. Rules imposing execution priorities, such as time and price priority rules, would be "established, non-discretionary methods."

(5) The Canadian securities regulatory authorities do not consider the following systems to be marketplaces for purposes of the Instrument:

(a) A system operated by a person or company that only permits one seller to sell its securities, such as a system that permits issuers to sell their own securities to investors.

(b) A system that merely routes orders for execution to a facility where the orders are executed.

(c) A system that posts information about trading interests, without facilities for execution.

In the first two cases, the criteria of multiple buyers and sellers would not be met. In the last two cases, routing systems and bulletin boards do not establish non-discretionary methods under which parties entering orders interact with each other.

(6) A person or company operating any of the systems described in subsection (5) should consider whether the person or company is required to be registered as a dealer under securities legislation.

(7) Inter-dealer bond brokers that conduct traditional inter-dealer bond broker activity have a choice as to how to be regulated under the Instrument and NI 23-101. Each inter-dealer bond broker can choose to be subject to IIROC Rule 36 and IIROC Rule 2100, fall within the definition of inter-dealer bond broker in the Instrument and be subject to the transparency requirements of Part 8 of the Instrument. Alternatively, the inter-dealer bond broker can choose to be an ATS and comply with the provisions of the Instrument and NI 23-101 applicable to a marketplace and an ATS. An inter-dealer bond broker that chooses to be an ATS will not be subject to Rule 36 or IIROC Rule 2100, but will be subject to all other IIROC requirements applicable to a dealer.

(8) Section 1.2 of the Instrument contains an interpretation of the definition of “marketplace”. The Canadian securities regulatory authorities do not consider a system that only routes unmatched orders to a marketplace for execution to be a marketplace. If a dealer uses a system to match buy and sell orders or pair orders with contra-side orders outside of a marketplace and route the matched or paired orders to a marketplace as a cross, the Canadian securities regulatory authorities may consider the dealer to be operating a marketplace under ~~paragraph (c~~subparagraph (a)(iii) of the definition of “marketplace”. The Canadian securities regulatory authorities encourage dealers that operate or plan to operate such a system to meet with the applicable securities regulatory authority to discuss the operation of the system and whether the dealer’s system falls within the definition of “marketplace”.

PART 3 CHARACTERISTICS OF EXCHANGES, QUOTATION AND TRADE REPORTING SYSTEMS AND ATSs

3.1 Exchange

(1) Securities legislation of most jurisdictions does not define the term "exchange".

(2) The Canadian securities regulatory authorities generally consider a marketplace, other than a quotation and trade reporting system, to be an exchange for purposes of securities legislation, if the marketplace

(a) requires an issuer to enter into an agreement in order for the issuer's securities to trade on the marketplace, i.e., the marketplace provides a listing function;

(b) provides, directly, or through one or more marketplace participants, a guarantee of a two-sided market for a security on a continuous or reasonably continuous basis, i.e., the marketplace has one or more marketplace participants that guarantee that a bid and an ask will be posted for a security on a continuous or reasonably continuous basis. For example, this type of liquidity guarantee can be carried out on exchanges through traders acting as principal such as registered traders, specialists or market makers;

(c) sets requirements governing the conduct of marketplace participants, in addition to those requirements set by the marketplace in respect of the method of trading or algorithm used by those marketplace participants to execute trades on the system (see subsection (3)); or

(d) disciplines marketplace participants, in addition to discipline by exclusion from trading, i.e., the marketplace can levy fines or take enforcement action.

(3) An ATS that requires a subscriber to agree to comply with the requirements of a regulation services provider as part of its contract with that subscriber is not setting "requirements governing the conduct of subscribers". In addition, marketplaces are not precluded from imposing credit conditions on subscribers or requiring subscribers to submit financial information to the marketplace.

(4) The criteria in subsection 3.1(2) are not exclusive and there may be other instances in which the Canadian securities regulatory authorities will consider a marketplace to be an exchange.

3.2 Quotation and Trade Reporting System

(1) Securities legislation in certain jurisdictions contains the concept of a quotation and trade reporting system. A quotation and trade reporting system is defined under securities legislation in those jurisdictions as a person or company, other than an exchange or registered dealer, that operates facilities that permit the dissemination of price quotations for the purchase and sale of securities and reports of completed transactions in securities for the exclusive use of registered dealers. A person or company that carries on business as a vendor of market data or a bulletin board with no execution facilities would not normally be considered to be a quotation and trade reporting system.

(2) A quotation and trade reporting system is considered to have "quoted" a security if

(a) the security has been subject to a listing or quoting process, and

(b) the issuer issuing the security or the dealer trading the security has entered into an agreement with the quotation and trade reporting system to list or quote the security.

3.3 Definition of an ATS

(1) In order to be an ATS for the purposes of the Instrument, a marketplace cannot engage in certain activities or meet certain criteria such as

(a) requiring listing agreements,

(b) having one or more marketplace participants that guarantee that a two-sided market will be posted for a security on a continuous or reasonably continuous basis,

(c) setting requirements governing the conduct of subscribers, in addition to those requirements set by the marketplace in respect of the method of trading or algorithm used by those subscribers to execute trades on the system, and

(d) disciplining subscribers.

A marketplace, other than a quotation and trade reporting system, that engages in any of these activities or meets these criteria would, in the view of the Canadian securities regulatory authorities, be an exchange and would have to be recognized as such in order to carry on business, unless exempted from this requirement by the Canadian securities regulatory authorities.

(2) An ATS can establish trading algorithms that provide that a trade takes place if certain events occur. These algorithms are not considered to be "requirements governing the conduct of subscribers".

(3) A marketplace that would otherwise meet the definition of an ATS in the Instrument may apply to the Canadian securities regulatory authorities for recognition as an exchange.

3.4 Requirements Applicable to ATSs

(1) Part 6 of the Instrument applies only to an ATS that is not a recognized exchange or a member of a recognized exchange or an exchange recognized for the purposes of the Instrument and NI 23-101. If an ATS is recognized as an exchange, the provisions of the Instrument relating to marketplaces and recognized exchanges apply.

(2) If the ATS is a member of an exchange, the rules, policies and other similar instruments of the exchange apply to the ATS.

(3) Under paragraph 6.1(a) of the Instrument, an ATS that is not a member of a recognized exchange or an exchange recognized for the purposes of the Instrument and NI 23-101 must register as a dealer if it wishes to carry on business. Unless otherwise specified, an ATS registered as a dealer is subject to all of the requirements applicable to dealers under securities legislation, including the requirements imposed by the Instrument and NI 23-101. An ATS will be carrying on business in a local jurisdiction if it provides direct access to subscribers located in that jurisdiction.

(4) If an ATS registered as a dealer in one jurisdiction in Canada provides access in another jurisdiction in Canada to subscribers who are not registered dealers under securities legislation, the ATS must be registered in that other jurisdiction. However, if all of the ATS's subscribers in the other jurisdiction are registered as dealers in that other jurisdiction, the securities regulatory authority in the other jurisdiction may consider granting the ATS an exemption from the requirement to register as a dealer under paragraph 6.1(a) and all other requirements in the Instrument and in NI 23-101 and from the registration requirements of securities legislation. In determining if the exemption is in the public interest, a securities regulatory authority will consider a number of factors, including whether the ATS is registered in another jurisdiction and whether the ATS deals only with registered dealers in that jurisdiction.

(5) Paragraph 6.1(b) of the Instrument prohibits an ATS to which the provisions of the Instrument apply from carrying on business unless it is a member of a self-regulatory entity. Membership in a self-regulatory entity is required for purposes of membership in the Canadian Investor Protection Fund, capital requirements and clearing and settlement procedures. At this time, the IIROC is the only entity that would come within the definition.

(6) Any registration exemptions that may otherwise be applicable to a dealer under securities legislation are not available to an ATS, even though it is registered as a dealer (except as provided in the Instrument), because of the fact that it is also a marketplace and different considerations apply.

(7) Subsection 6.7(1) of the Instrument requires an ATS to notify the securities regulatory authority if one of three thresholds is met or exceeded. Upon being informed that one of the thresholds is met or exceeded, the securities regulatory authority intends to review the ATS and its structure and operations in order to consider whether the person or company operating the ATS should be considered to be an exchange for purposes of securities legislation or if additional terms and conditions should be placed on the registration of the ATS. The securities regulatory authority intends to conduct this review because each of these thresholds may be indicative of an ATS having significant market presence in a type of security, such that it would be more appropriate that the ATS be regulated as an exchange. If more than one Canadian securities regulatory authority is conducting this review, the reviewing jurisdictions intend to coordinate their review. The volume thresholds referred to in subsection 6.7(1) of the Instrument are based on the type of security. The Canadian securities regulatory authorities consider a type of security to refer to a distinctive category of security such as equity securities, debt securities or options.

(8) Any marketplace that is required to provide notice under section 6.7 of the Instrument will determine the calculation based on publicly available information.

PART 4 RECOGNITION AS AN EXCHANGE OR QUOTATION AND TRADE REPORTING SYSTEM

4.1 Recognition as an Exchange or Quotation and Trade Reporting System

(1) In determining whether to recognize an exchange or quotation and trade reporting system, the Canadian securities regulatory authorities must determine whether it is in the public interest to do so.

(2) In determining whether it is in the public interest to recognize an exchange or quotation and trade reporting system, the Canadian securities regulatory authorities will look at a number of factors, including

(a) the manner in which the exchange or quotation and trade reporting system proposes to comply with the Instrument;

(b) whether the exchange or quotation and trade reporting system has fair and meaningful representation on its governing body, in the context of the nature and structure of the exchange or quotation and trade reporting system;

(c) whether the exchange or quotation and trade reporting system has sufficient financial resources for the proper performance of its functions;

(d) whether the rules, policies and other similar instruments of the exchange or quotation and trade reporting system ensure that its business is conducted in an orderly manner so as to afford protection to investors;

(e) whether the exchange or quotation and trade reporting system has policies and procedures to effectively identify and manage conflicts of interest arising from its operation or the services it provides;

(f) whether the requirements of the exchange or quotation and trade reporting system relating to access to its services are fair and reasonable; and

(g) whether the exchange or quotation and trade reporting system's process for setting fees is fair, transparent and appropriate, and whether the fees are equitably allocated among the participants, issuers and other users of services, do not have the effect of creating barriers to access and at the same time ensure that the exchange or quotation and trade reporting system has sufficient financial resources for the proper performance of its functions.

4.2 Process

Although the basic requirements or criteria for recognition of an exchange or quotation and trade reporting system may be similar in various jurisdictions, the precise requirements and the process for seeking a recognition or an exemption from recognition in each jurisdiction is determined by that jurisdiction.

PART 5 ORDERS

5.1 Orders

(1) The term "order" is defined in section 1.1 of the Instrument as a firm indication by a person or company, acting as either principal or agent, of a willingness to buy or sell a security. By virtue of this definition, a marketplace that displays good faith, non-firm indications of interest, including, but not limited to, indications of interest to buy or sell a particular security without either prices or quantities associated with those indications, is not displaying "orders". However, if those prices or quantities are implied and determinable, for example, by knowing the features of the marketplace, the indications of interest may be considered an order.

(2) The terminology used is not determinative of whether an indication of interest constitutes an order. Instead, whether or not an indication is "firm" will depend on what actually takes place between the buyer and seller. At a minimum, the Canadian securities regulatory authorities will consider an indication to be firm if it can be executed without further discussion between the person or company entering the indication and the counterparty (i.e. the indication is "actionable"). The Canadian securities regulatory authorities would consider an indication of interest to be actionable if it includes sufficient information to enable it to be executed without communicating with the marketplace participant that entered the order. Such information may include the symbol of the security, side (buy or sell), size, and price. The information may be explicitly stated, or it may be implicit and determinable based on the features of the marketplace. Even if the person or company must give its subsequent agreement to an execution, the Canadian securities regulatory authorities will still consider the indication to be firm if this subsequent agreement is always, or almost always, granted so that the agreement is largely a formality. For instance, an indication where there is a clear or prevailing presumption that a trade will take place at the indicated or an implied price, based on understandings or past dealings, will be viewed as an order.

(3) A firm indication of a willingness to buy or sell a security includes bid or offer quotations, market orders, limit orders and any other priced orders. For the purpose of sections 7.1, 7.3, 8.1 and 8.2 of the Instrument, the Canadian securities regulatory authorities do not consider special terms orders that are not immediately executable or that trade in special terms books, such as all-or-none, minimum fill or cash or delayed delivery, to be orders that must be provided to an information processor or, if there is no information processor, to an information vendor for consolidation.

(4) The securities regulatory authority may consider granting an exemption from the pre-trade transparency requirements in sections 7.1, 7.3, 8.1 and/or 8.2 of the Instrument to a marketplace for orders that result from a request for quotes or facility that allows negotiation between two parties provided that

(a) order details are shown only to the negotiating parties,

(b) other than as provided by paragraph (a), no actionable indication of interest or order is displayed by either party or the marketplace, and

(c) each order entered on the marketplace meets the size threshold set by a regulation services provider as provided in subsection 7.1(2) of the Instrument.

(5) The determination of whether an order has been placed does not turn on the level of automation used. Orders can be given over the telephone, as well as electronically.

PART 6 MARKETPLACE INFORMATION AND FINANCIAL STATEMENTS

6.1 Forms Filed by Marketplaces

(1) The definition of marketplace includes exchanges, quotation and trade reporting systems and ATSs. The legal entity that is recognized as an exchange or quotation and trade reporting system, or registered as a dealer in the case of an ATS, owns and operates the market or trading facility. In some cases, the entity may own and operate more than one trading facility. In such cases the marketplace may file separate forms in respect of each trading facility, or it may choose to file one form covering all of the different trading facilities. If the latter alternative is chosen, the marketplace must clearly identify the facility to which the information or changes apply.

(2) The forms filed by a marketplace under the Instrument will be kept confidential. The Canadian securities regulatory authorities are of the view that the forms contain proprietary financial, commercial and technical information and that the interests of the filers in non-disclosure outweigh the desirability of adhering to the principle that the forms be available for public inspection.

(3) While initial Forms 21-101F1 and 21-101F2 and amendments thereto are kept confidential, certain Canadian securities regulatory authorities may publish a summary of the information included in the forms filed by a marketplace, or information related to significant changes to the forms of a marketplace, where the Canadian securities regulatory authorities are of the view that a certain degree of transparency for certain aspects of a marketplace would allow investors and industry participants to be better informed as to how securities trade on the marketplace.

(4) Under subsection 3.2(1) of the Instrument, a marketplace is required to file an amendment to the information provided in Form 21-101F1 or Form 21-101F2, as applicable, at least 45 days prior to implementing a significant change. The Canadian securities regulatory authorities consider a significant change to be a change that could significantly impact a marketplace, its systems, its market structure, its marketplace participants or their systems, investors, issuers or the Canadian capital markets. ~~The Canadian securities regulatory authorities would consider significant changes to include:~~

A change would be considered to significantly impact the marketplace if it is likely to give rise to potential conflicts of interest, to limit access to the services of a marketplace, introduce changes to the structure of the marketplace or result in costs, such as implementation costs, to marketplace participants, investors or, if applicable, the regulation services provider

The following types of changes are considered to be significant changes as they would always have a significant impact:

(a) changes in the structure of the marketplace, including procedures governing how orders are entered, displayed (if applicable), executed, how they interact, are cleared and settled;

(b) new or changes to order types, and

(c) changes in the fees and the fee model of the marketplace.

The following may be considered by the Canadian securities regulatory authorities as significant changes, depending on whether they have a significant impact:

(d) new or changes to the services provided by the marketplace, including the hours of operation;

(~~e~~e) new or changes to the means of access to the market or facility and its services;

(~~d) new or changes to order types;~~(ef) new or changes to types of securities traded on the marketplace;

(~~f~~g) new or changes to types of securities listed on exchanges or quoted on quotation and trade reporting systems;

(~~g~~h) new or changes to types of marketplace participants;

(~~h~~i) changes to the systems and technology used by the marketplace that support order entry, order routing, execution, trade reporting, trade comparison, data feeds, co-location and, if applicable, market surveillance and trade clearing, including those affecting capacity;

(~~i~~j) changes to the governance of the marketplace, including the structure of its board of directors and changes in the board committees and their mandates;

(~~j~~k) changes in control over marketplaces;

(~~k~~l) changes in affiliates that provide services to or on behalf of the marketplace;

(~~l~~m) new or changes in outsourcing arrangements for key marketplace services or systems; and

(~~m~~(n) new or changes in custody arrangements~~; and(n) changes in fees and the fee model of the marketplace~~.

(5) ~~Significant changes would not include changes~~Changes to information in Form 21-101F1 or Form 21-101F~~2,~~2 that

(a) ~~would~~do not have ~~an~~a significant impact on the marketplace~~'s~~, its market structure~~ or,~~ marketplace participants~~ on,~~ investors, issuers or the Canadian capital markets~~;~~, or

(b) are housekeeping or administrative changes such as

(i) changes in the routine processes, policies, practices, or administration of the marketplace,

(ii) changes due to standardization of terminology,

(iii) corrections of spelling or typographical errors,

(iv) necessary changes to conform to applicable regulatory or other legal requirements, ~~and~~

(v) ~~(v)~~ minor system or technology changes that would not significantly impact the system or its capacity~~.~~, and

(vi) changes to the list of marketplace participants and the list of all persons or entities denied or limited access to the marketplace,

~~Such changes~~ would be filed in accordance with the requirements outlined in subsection 3.2(3) of the Instrument.

(6) The Canadian securities regulatory authorities generally consider a change in a marketplace's fees or fee structure to be a significant change. However, the Canadian securities regulatory authorities recognize that in the current, competitive multiple marketplace environment, which may at times require that frequent changes be made to the fees or fee structure of marketplaces, marketplaces may need to implement fee changes within tight timeframes. To facilitate this process, subsection 3.2(2) of the Instrument provides that marketplaces may provide information describing the change in fees or fee structure in a shorter timeframe, at least seven business days before the expected implementation date of the change in fees or fee structure.

(7) For the changes referred to in subsection 3.2(3) of the Instrument, the Canadian securities regulatory authorities may review these filings to ascertain the appropriateness of the categorization of such filings. The marketplace will be notified in writing if there is disagreement with respect to the categorization of the filing.

(8) The Canadian securities regulatory authorities will make best efforts to review amendments to Forms 21-101F1 and 21-101F2 within the timelines specified in subsections 3.2(1) and (2) of the Instrument. However, where the changes are complex, raise regulatory concerns, or when additional information is required, the period for review may exceed

these timeframes. The Canadian securities regulatory authorities will review changes to the information in Forms 21-101F1 and 21-101F2 in accordance with staff practices in each jurisdiction.

(8.1) The Canadian securities regulatory authorities expect that the certifications provided pursuant to subsection 3.2(4) of the Instrument will be preserved by the marketplace as part of its books and records obligation under Part 11 of the Instrument.

(9) Section 3.3 of the Instrument requires a marketplace to file Form 21-101F3 by the following dates: April 30 (for the calendar quarter ending March 31), July 30 (for the calendar quarter ending June 30), October 30 (for the calendar quarter ending September 30) and January 30 (for the calendar quarter ending December 31).

(10) In order to ensure records regarding the information in a marketplace's Form 21-101F1 or Form 21-101F2 are kept up to date, subsection 3.2(4) of the Instrument requires the chief executive officer of a marketplace to certify that the information contained in the marketplace's Form 21-101F1 or Form 21-101F2 as applicable, is true, correct and complete and that its operations have been implemented as described within 30 days after the end of each calendar year. This certification is required at the same time as the updated and consolidated Form 21-101F1 or Form 21-101F2, as applicable, is required to be provided pursuant to subsection 3.2(5) of the Instrument.

6.2 Filing of Financial Statements

Part 4 of the Instrument sets out the financial reporting requirements applicable to marketplaces. Subsections 4.1(2) and 4.2(2) respectively require an ATS to file audited financial statements initially, together with Form 21-101F2, and on an annual basis thereafter. These financial statements may be in the same form as those filed with IIROC. The annual audited financial statements may be filed with the Canadian securities regulatory authorities at the same time as they are filed with IIROC.

PART 7 MARKETPLACE REQUIREMENTS

7.1 Access Requirements

(1) Section 5.1 of the Instrument sets out access requirements that apply to a marketplace. The Canadian securities regulatory authorities note that the requirements regarding access for marketplace participants do not restrict the marketplace from maintaining reasonable standards for access. The purpose of these access requirements is to ensure that rules, policies, procedures, and fees, as applicable, of the marketplace do not unreasonably create barriers to access to the services provided by the marketplace.

(2) For the purposes of complying with the order protection requirements in Part 6 of NI 23-101, a marketplace should permit fair and efficient access to

(a) a marketplace participant that directly accesses the marketplace,

(b) a person or company that is indirectly accessing the marketplace through a marketplace participant, or

(c) another marketplace routing an order to the marketplace.

The reference to "a person or company" in paragraph (b) includes a system or facility that is operated by a person or company.

(3) The reference to "services" in section 5.1 of the Instrument means all services that may be offered to a person or company and includes all services relating to order entry, trading, execution, routing, data and includes co-location.

(4) Marketplaces that send indications of interest to a selected smart order router or other system should send the information to other smart order routers or systems to meet the fair access requirements of the Instrument.

(5) Marketplaces are responsible for ensuring that the fees they set are in compliance with section 5.1 of the Instrument. In assessing whether its fees unreasonably condition or limit access to its services, a marketplace should consider a number of factors, including

(a) the value of the security traded,

(b) the amount of the fee relative to the value of the security traded,

(c) the amount of fees charged by other marketplaces to execute trades in the market,

(d) with respect to market data fees, the amount of market data fees charged relative to the market share of the marketplace, and,

(e) with respect to order-execution terms, including fees, whether the outcome of their application is consistent with the policy goals of order protection.

The Canadian securities regulatory authorities will consider these factors, among others, in determining whether the fees charged by a marketplace unreasonably condition or limit access to its services. With respect to trading fees, it is the view of the Canadian securities regulatory authorities that a trading fee equal to or greater than the minimum trading increment as defined in IIROC's Universal Market Integrity Rules, as amended, would unreasonably condition or limit access to a marketplace's services as it would be inconsistent with the policy goals of order protection. Trading fees below the minimum trading increment may also unreasonably condition or limit access to a marketplace's services when taking into account factors including those listed above.

7.2 **Public Interest Rules** – Section 5.3 of the Instrument sets out the requirements applicable to the rules, policies and similar instruments adopted by recognized exchanges and recognized quotation and trade reporting systems. These requirements acknowledge that recognized exchanges and quotation and trade reporting systems perform regulatory functions. The Instrument does not require the application of these requirements to an ATS's trading requirements. This is because, unlike exchanges, ATSs are not permitted to perform regulatory functions, other than setting requirements regarding conduct in respect of the trading by subscribers on the marketplace, i.e. requirements related to the method of trading or algorithms used by their subscribers to execute trades in the system. However, it is the expectation of the Canadian securities regulatory authority that the requirement in section 5.7 of the Instrument that marketplaces take reasonable steps to ensure they operate in a manner that does not interfere with the maintenance of fair and orderly markets, applies to an ATS's requirements. Such requirements may include those that deal with subscriber qualification, access to the marketplace, how orders are entered, interact, execute, clear and settle.

7.3 **Compliance Rules** – Section 5.4 of the Instrument requires a recognized exchange and recognized quotation and trade reporting system to have appropriate procedures to deal with violations of rules, policies or other similar instruments of the exchange or quotation and trade reporting system. This section does not preclude enforcement action by any other person or company, including the Canadian securities regulatory authorities or the regulation services provider.

7.4 **Filing of Rules** – Section 5.5 of the Instrument requires a recognized exchange and recognized quotation and trade reporting system to file all rules, policies and other similar instruments and amendments as required by the securities regulatory authority. Initially, all rules, policies and other similar instruments will be reviewed before implementation by the exchange or quotation and trade reporting system. Subsequent to recognition, the securities regulatory authority may develop and implement a protocol that will set out the procedures to be followed with respect to the review and approval of rules, policies and other similar instruments and amendments.

7.5 **Review of Rules** – The Canadian securities regulatory authorities review the rules, policies and similar instruments of a recognized exchange or recognized quotation and trade reporting system in accordance with the recognition order and rule protocol issued by the jurisdiction in which the exchange or quotation and trade reporting system is recognized. The rules of recognized exchanges and quotation and trade reporting systems are included in their rulebooks, and the principles and requirements applicable to these rules are set out in section 5.3 of the Instrument. For an ATS, whose trading requirements, including any trading rules, policies or practices, are incorporated in Form 21-101F2, any changes would be filed in accordance with the filing requirements applicable to changes to information in Form 21-101F2 set out in subsections 3.2(1) and 3.2(3) of the Instrument and reviewed by the Canadian securities regulatory authorities in accordance with staff practices in each jurisdiction.

7.6 **Fair and Orderly Markets**

(1) Section 5.7 of the Instrument establishes the requirement that a marketplace take reasonable steps to ensure it operates in a way that does not interfere with the maintenance of fair and orderly markets. This applies both to the operation of the marketplace itself and to the impact of the marketplace's operations on the Canadian market as a whole.

(2) This section does not impose a responsibility on the marketplace to oversee the conduct of its marketplace participants, unless the marketplace is an exchange or quotation and trade reporting system that has assumed responsibility for monitoring the conduct of its marketplace participants directly rather than through a regulation services provider. However, marketplaces are expected in the normal course to monitor order entry and trading activity for compliance with the marketplace's own operational policies and procedures. They should also alert the regulation services provider if they become aware that disorderly or disruptive order entry or trading may be occurring, or of possible violations of applicable regulatory requirements.

(3) Part of taking reasonable steps to ensure that a marketplace's operations do not interfere with fair and orderly markets necessitates ensuring that its operations support compliance with regulatory requirements including applicable rules of a regulation services provider. This does not mean that a marketplace must system-enforce all regulatory requirements. However, it should not operate in a manner that to the best of its knowledge would cause marketplace participants to breach regulatory requirements when trading on the marketplace.

7.7 Confidential Treatment of Trading Information

(1) The Canadian securities regulatory authorities are of the view that it is in the public interest for capital markets research to be conducted. Since marketplace participants' order and trade information may be needed to conduct this research, subsection 5.10(1.1) of the Instrument allows a marketplace to release its marketplace participants' order or trade information without obtaining its marketplace participants' written consent provided this information is used for capital markets research, and only if certain terms and conditions are met. Subsection 5.10(1.1) is not intended to impose any obligation on a marketplace to disclose information if requested by a researcher and the marketplace may choose to maintain its marketplace participants' order and trade information in confidence. If the marketplace decides to disclose this information however, it must ensure that certain terms and conditions are met to ensure that the marketplace participants' information is not misused.

These terms and conditions are set out in subsections 5.10(1.1), 5.10(1.2) and 5.10(1.3) of the Instrument. Subsection 5.10(1.1) of the Instrument requires a marketplace that intends to provide its marketplace participants' order and trade information to a researcher to enter into a written agreement with each person or company that will receive such information. Subparagraph 5.10(1.1)(a)(iii) of the Instrument requires the agreement to provide that the person or company agrees to use the order and trade information only for capital markets research purposes. Using the information for the purposes of trading, advising others to trade or for reverse engineering trading strategies are examples where the information would not be used for capital markets research purposes. Subparagraph 5.10(1.1)(a)(i) of the Instrument provides that the agreement must prohibit the researcher from sharing the marketplace participants' order and trade data with any other person or company, such as a research assistant, without the marketplace's consent. The marketplace will be responsible for determining what steps are necessary to ensure the other person or company receiving the marketplace participants' data is not misusing this data. For example, the marketplace may enter into a similar agreement with each individual or company that has access to the data. A carve-out is included in subsection 5.10(1.3) of the Instrument to allow those conducting peer reviews to have access to the data for the purpose of verifying the research prior to the publication of the results of the research. To protect the identity of particular marketplace participants or their customers, subparagraph 5.10(1.1)(a)(ii) of the Instrument requires the agreement to provide that researchers will not publish or disseminate data or information that discloses, directly or indirectly, the transactions, trading strategies or market positions of a marketplace participant or its clients. Also, to protect the confidentiality of the data, the agreement must require that the order and trade information is securely stored at all times, as required by subparagraph 5.10(1.1)(a)(iv) of the Instrument and that the data is only kept for a reasonable period after the completion of the research and publication process. The agreement must also require that the marketplace be notified of any breach or possible breach of the confidentiality of the information. Marketplaces are required to notify the appropriate securities regulatory authorities of the breach or possible breach and to take all appropriate steps in the event of a breach or possible breach of the agreement or of the confidentiality of the information provided.

(12) Subsection 5.10 (2) of the Instrument provides that a marketplace ~~shall~~must not carry on business as a marketplace unless it has implemented reasonable safeguards and procedures to protect a marketplace participant's trading information. These include

(a) limiting access to the trading information of marketplace participants, such as the identity of marketplace participants and their orders, to those employees of, or persons or companies retained by, the marketplace to operate the system or to be responsible for its compliance with securities legislation; and

(b) having in place procedures to ensure that employees of the marketplace cannot use such information for trading in their own accounts.

(23) The procedures referred to in subsection (1) should be clear and unambiguous and presented to all employees and agents of the marketplace, whether or not they have direct responsibility for the operation of the marketplace.

(34) Nothing in section 5.10 of the Instrument prohibits a marketplace from complying with National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*. This statement is necessary because an investment dealer that operates a marketplace may be an intermediary for the purposes of National Instrument 54-101, and may be required to disclose information under that Instrument.

7.8 Management of Conflicts of Interest

(1) Marketplaces are required under section 5.11 of the Instrument to maintain and ensure compliance with policies and procedures that identify and manage conflicts of interest arising from the operation of the marketplace or the services it provides. These may include conflicts, actual or perceived, related to the commercial interest of the marketplace, the interests of its owners or its operators, referral arrangements and the responsibilities and sound functioning of the marketplace. For an exchange and quotation and trade reporting system, they may also include potential conflicts between the operation of the marketplace and its regulatory responsibilities.

(2) The marketplace's policies should also take into account conflicts for owners that are marketplace participants. These may include inducements to send order flow to the marketplace to obtain a larger ownership position or to use the marketplace to trade against their clients' order flow. These policies should be disclosed as provided in paragraph 10.1(e) of the Instrument.

7.9 Outsourcing – Section 5.12 of the Instrument sets out the requirements that marketplaces that outsource any of their key services or systems to a service provider, which may include affiliates or associates of the marketplace, must meet. Generally, marketplaces are required to establish policies and procedures to evaluate and approve these outsourcing agreements. Such policies and procedures would include assessing the suitability of potential service providers and the ability of the marketplace to continue to comply with securities legislation in the event of the service provider's bankruptcy, insolvency or termination of business. Marketplaces are also required to monitor the ongoing performance of the service provider to which they outsourced key services, systems or facilities. The requirements under section 5.12 of the Instrument apply regardless of whether the outsourcing arrangements are with third- party service providers, or with affiliates of the marketplaces.

7.10 Access Arrangements with a Service Provider – If a third party service provider provides a means of access to a marketplace, section 5.13 of the Instrument requires the marketplace to ensure the third party service provider complies with the standards for access the marketplace has established pursuant to paragraph 5.1(2)(a) of the Instrument when providing access services. A marketplace must establish written standards for granting access to each of its services under paragraph 5.1(2)(a) and the Canadian securities regulatory authorities are of the view that it is the responsibility of the marketplace to ensure that these written standards are complied with when access to its platform is provided by a third party.

PART 8 RISK DISCLOSURE TO MARKETPLACE PARTICIPANTS

8.1 Risk disclosure to marketplace participants – Subsections 5.9(2) and 6.11(2) of the Instrument require a marketplace to obtain an acknowledgement from its marketplace participants. The acknowledgement may be obtained in a number of ways, including requesting the signature of the marketplace participant or requesting that the marketplace participant initial an initial box or check a check-off box. This may be done electronically. The acknowledgement must be specific to the information required to be disclosed under the relevant subsection and must confirm that the marketplace participant has received the required disclosure. The Canadian securities regulatory authorities are of the view that it is the responsibility of the marketplace to ensure that an acknowledgement is obtained from the marketplace participant in a timely manner.

8.2 [repealed]

PART 9 INFORMATION TRANSPARENCY REQUIREMENTS FOR EXCHANGE-TRADED SECURITIES

9.1 Information Transparency Requirements for Exchange-Traded Securities

(1) Subsection 7.1(1) of the Instrument requires a marketplace that displays orders of exchange-traded securities to any person or company to provide accurate and timely information regarding those orders to an information processor as required by the information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider. The Canadian securities regulatory authorities consider that a marketplace that sends information about orders of exchange-traded securities, including indications of interest that meet the definition of an order, to a smart order router is "displaying" that information. The marketplace would be subject to the transparency requirements of subsection 7.1(1) of the Instrument. The transparency requirements of subsection 7.1(1) of the Instrument do not apply to a marketplace that displays orders of exchange-traded securities to its employees or to persons or companies retained by the marketplace to assist in the operation of the marketplace, as long as these orders meet a minimum size threshold set by the regulation services provider. In other words, the only orders that are exempt from the transparency requirements are those meeting the minimum size threshold. Section 7.2 requires a marketplace to provide accurate and timely information regarding trades of exchange-traded securities that it executes to an information processor as required by the information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider. Some marketplaces, such as

exchanges, may be regulation services providers and will establish standards for the information vendors they use to display order and trade information to ensure that the information displayed by the information vendors is timely, accurate and promotes market integrity. If the marketplace has entered into a contract with a regulation services provider under NI 23-101, the marketplace must provide information to the regulation services provider and an information vendor that meets the standards set by that regulation services provider.

(2) In complying with sections 7.1 and 7.2 of the Instrument, ~~a marketplace should not make the required order and trade information available to any other person or company on a more timely basis than it makes that information available to the information processor or information vendor. In addition,~~ any information provided by a marketplace to an information processor or information vendor must include identification of the marketplace and should contain all relevant information including details as to volume, symbol, price and time of the order or trade.

(3) **[~~Repealed~~]repealed]**

(4) **[~~Repealed~~]repealed]**

(5) It is expected that if there are multiple regulation service providers, the standards of the various regulation service providers must be consistent. In order to maintain market integrity for securities trading in different marketplaces, the Canadian securities regulatory authorities will, through their oversight of the regulation service providers, review and monitor the standards established by all regulation service providers so that business content, service level standards, and other relevant standards are substantially similar for all regulation service providers.

9.2 [~~Repealed~~repealed]

PART 10 INFORMATION TRANSPARENCY REQUIREMENTS FOR UNLISTED DEBT SECURITIES

10.1 Information Transparency Requirements for Unlisted Debt Securities

(1) The requirement to provide transparency of information regarding orders and trades of government debt securities in section 8.1 of the Instrument does not apply until January 1, ~~2015.~~2018. The Canadian securities regulatory authorities will continue to review the transparency requirements, in order to determine if the transparency requirements summarized in subsections (2) and (3) below should be amended.

(2) The requirements of the information processor for government debt securities are as follows:

(a) Marketplaces trading government debt securities and inter-dealer bond brokers are required to provide in real time quotation information displayed on the marketplace for all bids and offers with respect to ~~unlisted~~government debt securities designated by the information processor, including details as to type, issuer, coupon and maturity of security, best bid price, best ask price and total disclosed volume at such prices; and

(b) Marketplaces trading government debt securities and inter-dealer bond brokers are required to provide in real time details of trades of all government debt securities designated by the information processor, including details as to the type, issuer, series, coupon and maturity, price and time of the trade and the volume traded.

(3) The requirements of the information processor for corporate debt securities are as follows:

(a) Marketplaces trading corporate debt securities, inter-dealer bond brokers and dealers trading corporate debt securities outside of a marketplace are required to provide details of trades of all corporate debt securities designated by the information processor, including details as to the type of counterparty, issuer, type of security, class, series, coupon and maturity, price and time of the trade and, subject to the caps set out below, the volume traded, no later than one hour from the time of the trade or such shorter period of time determined by the information processor. If the total par value of a trade of an investment grade corporate debt security is greater than $2 million, the trade details provided to the information processor are to be reported as "$2 million+". If the total par value of a trade of a non-investment grade corporate debt security is greater than $200,000, the trade details provided to the information processor are to be reported as "$200,000+".

(b) Although subsection 8.2(1) of the Instrument requires marketplaces to provide information regarding orders of corporate debt securities, the information processor has not required this information to be provided.

(c) A marketplace, an inter-dealer bond broker or a dealer will satisfy the requirements in subsections 8.2(1), 8.2(3), 8.2(4) and 8.2(5) of the Instrument by providing accurate and timely information to an information vendor that meets the standards set by the regulation services provider for the fixed income markets.

(4) The marketplace upon which the trade is executed will not be shown, unless the marketplace determines that it wants its name to be shown.

(5) The information processor is required to use transparent criteria and a transparent process to select government debt securities and designated corporate debt securities. The information processor is also required to make the criteria and the process publicly available.

(6) An "investment grade corporate debt security" is a corporate debt security that is rated by one of the listed rating organizations at or above one of the following rating categories or a rating category that preceded or replaces a category listed below:

Rating Organization	Long Term Debt	Short Term Debt
Fitch, Inc.	BBB	F3
Dominion Bond Rating Service Limited	BBB	R-2
Moody's Investors Service, Inc.	Baa	Prime-3
Standard & Poors Corporation	BBB	A-3

(7) A "non-investment grade corporate debt security" is a corporate debt security that is not an investment grade corporate debt security.

(8) The information processor will publish the list of designated government debt securities and designated corporate debt securities. The information processor will give reasonable notice of any change to the list.

(9) The information processor may request changes to the transparency requirements by filing an amendment to Form 21-101F5 with the Canadian securities regulatory authorities pursuant to subsection 14.2(1) of the Instrument. The Canadian securities regulatory authorities will review the amendment to Form 21-101F5 to determine whether the proposed changes are contrary to the public interest, to ensure fairness and to ensure that there is an appropriate balance between the standards of transparency and market quality (defined in terms of market liquidity and efficiency) in each area of the market. The proposed changes to the transparency requirements will also be subject to consultation with market participants.

10.2 Availability of Information – In complying with the requirements in sections 8.1 and 8.2 of the Instrument to provide accurate and timely order and trade information to an information processor or an information vendor that meets the standards set by a regulation services provider, a marketplace, an inter-dealer bond broker or dealer should not make the required order and trade information available to any other person or company on a more timely basis than it makes that information available to the information processor or information vendor.

10.3 Consolidated Feed – Section 8.3 of the Instrument requires the information processor to produce a consolidated feed in real-time showing the information provided to the information processor.

PART 11 MARKET INTEGRATION

11.1 [~~Repealed~~repealed]

11.2 [~~Repealed~~repealed]

11.3 [~~Repealed~~repealed]

11.4 [~~Repealed~~repealed]

11.5 Market Integration – Although the Canadian securities regulatory authorities have removed the concept of a market integrator, we continue to be of the view that market integration is important to our marketplaces. We expect to achieve market integration by focusing on compliance with fair access and best execution requirements. We will continue to monitor developments to ensure that the lack of a market integrator does not unduly affect the market.

PART 12 TRANSPARENCY OF MARKETPLACE OPERATIONS

12.1 Transparency of Marketplace Operations

(1) Section 10.1 of the Instrument requires that marketplaces make publicly available certain information pertaining to their operations and services. While section 10.1 sets out the minimum disclosure requirements, marketplaces may wish to make publicly available other information, as appropriate. Where this information is included in a marketplace's rules, regulations, policies and procedures or practices that are publicly available, the marketplace need not duplicate this disclosure.

(2) Paragraph 10.1(a) requires marketplaces to disclose publicly all fees, including listing, trading, co-location, data and routing fees charged by the marketplace, an affiliate or by a third party to which services have been directly or indirectly outsourced or which directly or indirectly provides those services. This means that a marketplace is expected to publish and make readily available the schedule(s) of fees charged to any and all users of these services, including the basis for charging each fee (e.g., a per share basis for trading fees, a per subscriber basis for data fees, etc.) and would also include any fee rebate or discount and the basis for earning the rebate or discount. With respect to trading fees, it is not the intention of the Canadian securities regulatory authorities that a commission fee charged by a dealer for dealer services be disclosed in this context.

(3) Paragraph 10.1(b) requires marketplaces to disclose information on how orders are entered, interact and execute. This would include a description of the priority of execution for all order types and the types of crosses that may be executed on the marketplace. A marketplace should also disclose whether it sends information regarding indications of interest or order information to a smart order router.

(4) Paragraph 10.19(c) requires a marketplace to disclose its conflict of interest policies and procedures. For conflicts arising from the ownership of a marketplace by marketplace participants, the marketplace should include in its marketplace participant agreements a requirement that marketplace participants disclose that ownership to their clients at least quarterly. This is consistent with the marketplace participant's existing obligations to disclose conflicts of interest under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Requirements*. A marketplace should disclose if a marketplace or affiliated entity of a marketplace intends to trade for its own account on the marketplace against or in competition with client orders.

(5) Paragraph 10.1(f) requires marketplaces to disclose a description of any arrangements where the marketplace refers its participants to the services of a third-party provider where the marketplace receives some benefit (fee rebate, payment, etc.) if the marketplace participant uses the services of the third- party service provider, and has a potential conflict of interest.

(6) Paragraph 10.1(g) requires marketplaces that offer routing services to disclose a description of how routing decisions are made. The subsection applies whether routing is done by a marketplace-owned smart order router, by an affiliate of a marketplace, or by a third- party to which routing was outsourced.

(7) Paragraph 10.1(h) applies to marketplaces that disseminate indications of interest or any information in order to attract order flow. The Instrument requires that these marketplaces make publicly available information regarding their practices regarding the dissemination of information. This would include a description of the type of information included in the indication of interest displayed, and the types of recipients of such information. For example, a marketplace would describe whether the recipients of an indication of interest are the general public, all of its subscribers, particular categories of subscribers or smart order routers operated by their subscribers or by third party vendors.

PART 13 RECORDKEEPING REQUIREMENTS FOR MARKETPLACES

13.1 Recordkeeping Requirements for Marketplaces – Part 11 of the Instrument requires a marketplace to maintain certain records. Generally, under provisions of securities legislation, the securities regulatory authorities can require a marketplace to deliver to them any of the records required to be kept by them under securities legislation, including the records required to be maintained under Part 11.

13.2 Synchronization of Clocks – Subsections 11.5(1) and (2) of the Instrument require the synchronization of clocks with a regulation services provider that monitors the trading of the relevant securities on marketplaces, and by, as appropriate, inter-dealer bond brokers or dealers. The Canadian securities regulatory authorities are of the view that synchronization requires continual synchronization using an appropriate national time standard as chosen by a regulation services provider. Even if a marketplace has not retained a regulation services provider, its clocks should be synchronized with any regulation services provider monitoring trading in the particular securities traded on that marketplace. Each regulation services provider will monitor the information that it receives from all marketplaces,

dealers and, if appropriate, inter-dealer bond brokers, to ensure that the clocks are appropriately synchronized. If there is more than one regulation services provider, in meeting their obligation to coordinate monitoring and enforcement under section 7.5 of NI 23-101, regulation services providers are required to agree on one standard against which synchronization will occur. In the event there is no regulation services provider, a recognized exchange or recognized quotation and trade reporting system are also required to coordinate with other recognized exchanges or recognized quotation and trade reporting systems regarding the synchronization of clocks.

PART 14 MARKETPLACE SYSTEMS AND BUSINESS CONTINUITY PLANNING

14.1 Systems Requirements – This section applies to all the systems of a particular marketplace that are identified in the introduction to section 12.1 of the Instrument whether operating in-house or outsourced.

(1) Paragraph 12.1(a) of the Instrument requires the marketplace to develop and maintain an adequate system of internal control over the systems specified. As well, the marketplace is required to develop and maintain adequate general computer controls. These are the controls which are implemented to support information technology planning, acquisition, development and maintenance, computer operations , information systems support, and security. Recognized guides as to what constitutes adequate information technology controls include '*Information Technology Control Guidelines'* from the Canadian Institute of Chartered Accountants (CICA) and '*COBIT' ® 5 Management Guidelines,* from the IT Governance Institute, © 2012 ISACA*, IT Infrastructure Library (ITIL) – Service Delivery best practices, ISO/IEC27002:2005 – Information technology – Code of practice for information security management.*

(2) Paragraph 12.1(b) of the Instrument requires a marketplace to meet certain systems capacity, performance and disaster recovery standards. These standards are consistent with prudent business practice. The activities and tests required in this paragraph are to be carried out at least once a year. In practice, continuing changes in technology, risk management requirements and competitive pressures will often result in these activities being carried out or tested more frequently.

(2.1) Subsection 12.1(c) of the Instrument refers to a material security breach. A material security breach or systems intrusion is any unauthorized entry into any of the systems that support the functions listed in section 12.1 of the Instrument or any system that shares network resources with one or more of these systems. Virtually any security breach would be considered material and thus reportable to the regulator. The onus would be on the marketplace to document the reasons for any security breach it did not consider material. Marketplaces should also have documented criteria to guide the decision on when to publicly disclose a security breach. The criteria for public disclosure of a security breach should include, but not be limited to, any instance in which client data could be compromised. Public disclosure should include information on the types and number of participants affected.

(3) Subsection 12.2(1) of the Instrument requires a marketplace to engage a qualified party to conduct an annual independent assessment ~~of the internal controls referred to in paragraph 12.1(a) of the Instrument~~to ensure that the marketplace is in compliance with subsection 12.1(a), section 12.1.1 and section 12.4 of the Instrument. The focus of the assessment of any systems that share network resources with trading-related systems required under subsection 12.2(1)(b) would be to address potential threats from a security breach that could negatively impact a trading related system. A qualified party is a person or company or a group of persons or companies with relevant experience in both information technology and in the evaluation of related internal controls in a complex information technology environment, such as external auditors or third party information system consultants. Before engaging a qualified party, a marketplace should discuss its choice with the regulator or, in Québec, the securities regulatory authority.

(4) Paragraph 12.1(c) of the Instrument requires the marketplace to notify the regulator or, in Québec, the securities regulatory authority of any material systems failure. The Canadian securities regulatory authorities consider a failure, malfunction or delay to be "material" if the marketplace would in the normal course of operations escalate the matter to or inform its senior management ultimately accountable for technology. The Canadian securities regulatory authorities also expect that, as part of this notification, the marketplace will provide updates on the status of the failure, the resumption of service and the results of its internal review of the failure.

(5) Under section 15.1 of the Instrument, a regulator or the securities regulatory authority may consider granting a marketplace an exemption from the requirements to engage a qualified party to conduct an annual independent systems review and prepare a report under subsection 12.2(1) of the Instrument provided that the marketplace prepare a control self-assessment and file this self-assessment with the regulator or in Québec, the securities regulatory authority. The scope of the self-assessment would be similar to the scope that would have applied if the marketplace underwent an independent systems review. Reporting of the self-assessment results and the timeframe for reporting would be consistent with that established for an independent systems review.

In determining if the exemption is in the public interest and the length of the exemption, the regulator or securities regulatory authority may consider a number of factors including: the market share of the marketplace, the timing of the

last independent systems review, changes to systems or staff of the marketplace and whether the marketplace has experienced material systems failures, malfunction or delays.

14.2 ~~Availability of~~Marketplace Technology Specifications and Testing Facilities

(1) Subsection 12.3(1) of the Instrument requires marketplaces to make their technology requirements regarding interfacing with or accessing the marketplace publicly available in their final form for at least three months. If there are material changes to these requirements after they are made publicly available and before operations begin, the revised requirements should be made publicly available for a new three month period prior to operations. The subsection also requires that an operating marketplace make its technology specifications publicly available for at least three months before implementing a material change to its technology requirements.

The Canadian securities regulatory authorities consider a change that may require a marketplace participant to make systems changes in order to fully interact with a marketplace, such as the introduction of an order type, to be a change to a technology requirement to interface with the marketplace.

(2) Subsection 12.3(2) of the Instrument requires marketplaces to provide testing facilities for interfacing with or accessing the marketplace for at least two months immediately prior to operations once the technology requirements have been made publicly available. Should the marketplace make its specifications publicly available for longer than three months, it may make the testing available during that period or thereafter as long as it is at least two months prior to operations. If the marketplace, once it has begun operations, proposes material changes to its technology systems, it is required to make testing facilities publicly available for at least two months before implementing the material systems change.

(2.1) Subsection 12.3(3) of the Instrument prohibits a marketplace from beginning operations or implementing a material change to its technology requirements until the later of (i) three months after the regulator, or in Québec, the securities regulatory authority, has completed its review of the marketplace's initial filing or change of information and notified the marketplace of the completion of the review and (ii) a reasonable period of time to allow marketplace participants and third party service providers to complete any necessary systems work and testing to accommodate the marketplace launch or technology change.

The regulator, or in Québec, the securities regulatory authority, may consider, under certain circumstances, that a "reasonable period of time" to be longer than three months after a marketplace has been notified that the regulator, or in Québec, the securities regulatory authority, has completed its review of the marketplace's initial filing or change. This may occur, where the changes have a material impact on marketplace participants that would require more than three months for marketplace participants to implement or adjust to the change. It could also occur to accommodate previously announced regulatory or marketplace changes or a marketplace launch and to ensure that marketplace participants do not have to prepare for multiple significant technology changes simultaneously.

(3) Subsection 12.3(4) of the Instrument provides that if a marketplace must make a change to its technology requirements regarding interfacing with or accessing the marketplace to immediately address a failure, malfunction or material delay of its systems or equipment, it must immediately notify the regulator or, in Québec, the securities regulatory authority, and, if applicable, its regulation services provider. We expect the amended technology requirements to be made publicly available as soon as practicable, either while the changes are being made or immediately after.

(4) Paragraph 12.3(5)(c) of the Instrument prohibits a marketplace from beginning operations before the chief information officer of the marketplace, or an individual performing a similar function, has certified in writing that all information technology systems used by the marketplace have been tested according to prudent business practices and are operating as designed. This certification may be based on information provided to the chief information officer from marketplace staff knowledgeable about the information technology systems of the marketplace and the testing that was conducted.

(5) In order to help ensure that appropriate testing procedures for material changes to technology requirements are being followed by the marketplace, subsection 12.3(6) of the Instrument requires the chief information officer of the marketplace, or an individual performing a similar function, to certify to the regulator or securities regulatory authority, as applicable, that a material change has been tested according to prudent business practices and is operating as designed.

14.3 Business Continuity Planning

Section 12.4 of the Instrument requires that marketplaces develop and maintain reasonable business continuity plans, including disaster recovery plans. Business continuity planning should encompass all policies and procedures to ensure uninterrupted provision of key services regardless of the cause of potential disruption. The Canadian securities regulatory authorities expect that, in order for a marketplace to have a reasonable business continuity plan, including disaster recovery plan, it test it ~~on a~~

~~periodic basis, and~~according to prudent business practices, and in any event, at least annually ~~and it should participate in industry wide tests~~.

PART 15 CLEARING AND SETTLEMENT

15.1 Clearing and Settlement – Subsection 13.1(1) of the Instrument requires ~~that~~ all trades executed through a marketplace ~~shall~~to be reported and settled through a clearing agency.

Subsections 13.1(2) and (3) of the Instrument require that an ATS and its subscriber enter into an agreement that specifies which entity will report and settle the trades of securities. If the subscriber is registered as a dealer under securities legislation, ~~either~~ the ATS, the subscriber or an agent for the subscriber that is a member of a clearing agency may report and settle trades. If the subscriber is not registered as a dealer under securities legislation, either the ATS or an agent for the subscriber that is a clearing member of a clearing agency may report and settle trades. The ATS is responsible for ensuring that an agreement with the subscriber is in place before any trade is executed for the subscriber. If the agreement is not in place at the time of the execution of the trade, the ATS is responsible for clearing and settling that trade if a default occurs.

15.2 Access to Clearing Agency of Choice – As a general proposition, marketplace participants should have a choice as to the clearing agency that they would like to use for the clearing and settlement of their trades, provided that such clearing agency is appropriately regulated in Canada. Subsection 13.2(1) of the Instrument thus requires a marketplace to report a trade in a security to a clearing agency designated by a marketplace participant.

The Canadian securities regulatory authorities are of the view that where a clearing agency performs only clearing services (and not settlement or depository services) for equity or other cash-product marketplaces in Canada, it would need to have access to the existing securities settlement and depository infrastructure on non-discriminatory and reasonable commercial terms.

Subsection 13.2(2) of the Instrument provides that subsection 13.2(1) does not apply to trades in standardized derivatives or exchange-traded securities that are options.

PART 16 INFORMATION PROCESSOR

16.1 Information Processor

(1) The Canadian securities regulatory authorities believe that it is important for those who trade to have access to accurate information on the prices at which trades in particular securities are taking place (i.e., last sale reports) and the prices at which others have expressed their willingness to buy or sell (*i.e.*, orders).

(2) An information processor is required under subsection 14.4(2) of the Instrument to provide timely, accurate, reliable and fair collection, processing, distribution and publication of information for orders for, and trades in, securities. The Canadian securities regulatory authorities expect that in meeting this requirement, an information processor will ensure that all marketplaces, inter-dealer bond brokers and dealers that are required to provide information are given access to the information processor on fair and reasonable terms. In addition, it is expected that an information processor will not give preference to the information of any marketplace, inter-dealer bond broker or dealer when collecting, processing, distributing or publishing that information.

(3) An information processor is required under subsection 14.4(5) of the Instrument to provide prompt and accurate order and trade information, and to not unreasonably restrict fair access to the information. As part of the obligation relating to fair access, an information processor is expected to make the disseminated and published information available on terms that are reasonable and not discriminatory. For example, an information processor will not provide order and trade information to any single person or company or group of persons or companies on a more timely basis than is afforded to others, and will not show preference to any single person or company or group of persons or companies in relation to pricing.

16.2 Selection of an Information Processor

(1) The Canadian securities regulatory authorities will review Form 21-101F5 to determine whether it is contrary to the public interest for the person or company who filed the form to act as an information processor. The Canadian securities regulatory authorities will look at a number of factors when reviewing the form filed, including,

(a) the performance capability, standards and procedures for the collection, processing, distribution, and publication of information with respect to orders for, and trades in, securities;

(b) whether all marketplaces may obtain access to the information processor on fair and reasonable terms;

(c) personnel qualifications;

(d) whether the information processor has sufficient financial resources for the proper performance of its functions;

(e) the existence of another entity performing the proposed function for the same type of security;

(f) the systems report referred to in paragraph 14.5(c) of the Instrument.

(2) The Canadian securities regulatory authorities request that the forms and exhibits be filed in electronic format, where possible.

(3) The forms filed by an information processor under the Instrument will be kept confidential. The Canadian securities regulatory authorities are of the view that they contain intimate financial, commercial and technical information and that the interests of the filers in non-disclosure outweigh the desirability of adhering to the principle that all forms be available for public inspection.

16.3 Change ~~to~~in Information – Under subsection 14.2(1) of the Instrument, an information processor is required to file an amendment to the information provided in Form 21-101F5 at least 45 days before implementing a significant change involving a matter set out in Form 21-101F5, in the manner set out in Form 21-101F5. The Canadian securities regulatory authorities would consider significant changes to include:

(a) changes to the governance of the information processor, including the structure of its board of directors and changes in the board committees and their mandates;

(b) changes in control over the information processor;

(c) changes affecting the independence of the information processor, including independence from the marketplaces, inter-dealer bond brokers and dealers that provide their data to meet the requirements of the Instrument;

(d) changes to the services or functions performed by the information processor;

(e) changes to the data products offered by the information processor;

(f) changes to the fees and fee structure related to the services provided by the information processor;

(g) changes to the revenue sharing model for revenues from fees related to services provided by the information processor;

(h) changes to the systems and technology used by the information processor, including those affecting its capacity;

(i) new arrangements or changes to arrangements to outsource the operation of any aspect of the services of the information processor;

(j) changes to the means of access to the services of the information processor; and

(k) where the information processor is responsible for making a determination of the data which must be reported, including the securities for which information must be reported in accordance with the Instrument, changes in the criteria and process for selection and communication of these securities.

These would not include housekeeping or administrative changes to the information included in Form 21-101F5, such as changes in the routine processes, practice or administration of the information processor, changes due to standardization of terminology, or minor system or technology changes that do not significantly impact the system of the information processor or its capacity. Such changes would be filed in accordance with the requirements outlined in subsection 14.2(2) of the Instrument.

16.4 Filing of financial statements – Subsection 14.4(6) of the Instrument requires an information processor to file annual audited financial statements within 90 days after the end of its financial year. However, where an information processor is operated as a division or unit of a person or company, which may be a marketplace, clearing agency, issuer or any

other person or company, the person or company must file an income statement, a statement of cash flow and any other information necessary to demonstrate the financial condition of the information processor. In this case, the income statement, statement of cash flow and other necessary financial information pertaining to the operation of the information processor may be unaudited.

16.5 System Requirements – The guidance in section 14.1 of this Companion Policy applies to the systems requirements for an information processor.

ANNEX D

NATIONAL INSTRUMENT 23-101 TRADING RULES

TABLE OF CONTENTS

NATIONAL INSTRUMENT 23-101 TRADING RULES

PART 1 DEFINITION AND INTERPRETATION

1.1 Definition – In this Instrument

"automated functionality" means the ability to

(a) immediately allow an incoming order that has been entered on the marketplace electronically to be marked as immediate-or-cancel;

(b) immediately and automatically execute an order marked as immediate-or-cancel against the displayed volume;

(c) immediately and automatically cancel any unexecuted portion of an order marked as immediate-or-cancel without routing the order elsewhere;

(d) immediately and automatically transmit a response to the sender of an order marked as immediate-or-cancel indicating the action taken with respect to the order; and

(e) immediately and automatically display information that updates the displayed orders on the marketplace to reflect any change to their material terms;

"best execution" means the most advantageous execution terms reasonably available under the circumstances;

"calculated-price order" means an order for the purchase or sale of an exchange-traded security, other than an option, that is entered on a marketplace and for which the price of the security

(a) is not known at the time of order entry; and

(b) is not based, directly or indirectly, on the quoted price of an exchange-traded security at the time the commitment to execute the order was made;

"closing-price order" means an order for the purchase or sale of an exchange-traded security, other than an option, that is

(a) entered on a marketplace on a trading day; and

(b) subject to the conditions that

(i) the order be executed at the closing sale price of that security on the marketplace for that trading day; and

(ii) the order be executed subsequent to the establishment of the closing price;

"directed-action order" means a limit order for the purchase or sale of an exchange-traded security, other than an option, that,

(a) when entered on or routed to a marketplace is to be immediately

(i) executed against a protected order with any remainder to be booked or cancelled; or

(ii) placed in an order book;

(b) is marked as a directed-action order; and

(c) is entered or routed at the same time as one or more additional limit orders that are entered on or routed to one or more marketplaces, as necessary, to execute against any protected order with a better price than the order referred to in paragraph (a);

"NI 21-101" means National Instrument 21-101 *Marketplace Operation*;

"non-standard order" means an order for the purchase or sale of an exchange-traded security, other than an option, that is entered on a marketplace and is subject to non-standardized terms or conditions related to settlement that have not been set by the marketplace on which the security is listed or quoted; and

"protected bid" means a bid for an exchange-traded security, other than an option,

(a) that is displayed on a marketplace that provides automated functionality; and

(b) about which information is required to be provided pursuant to Part 7 of NI 21-101 to an information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider;

"protected offer" means an offer for an exchange-traded security, other than an option,

(a) that is displayed on a marketplace that provides automated functionality; and

(b) about which information is required to be provided pursuant to Part 7 of NI 21-101 to an information processor or, if there is no information processor, to an information vendor that meets the standards set by a regulation services provider;

"protected order" means a protected bid or protected offer; and

"trade-through" means the execution of an order at a price that is,

(a) in the case of a purchase, higher than any protected offer, or

(b) in the case of a sale, lower than any protected bid.

1.2 Interpretation – NI 21-101 – Terms defined or interpreted in NI 21-101 and used in this Instrument have the respective meanings ascribed to them in NI 21-101.

PART 2 APPLICATION OF THIS INSTRUMENT

2.1 Application of this Instrument – A person or company is exempt from subsection 3.1(1) and Parts 4 and 5 if the person or company complies with similar requirements established by

(a) a recognized exchange that monitors and enforces the requirements set under subsection 7.1(1) directly;

(b) a recognized quotation and trade reporting system that monitors and enforces requirements set under subsection 7.3(1) directly; or

(c) a regulation services provider.

PART 3 MANIPULATION AND FRAUD

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; or

(b) perpetrates a fraud on any person or company.

(2) In Alberta, British Columbia, Ontario, Québec and Saskatchewan, instead of subsection (1), the provisions of the *Securities Act* (Alberta), the *Securities Act* (British Columbia), the *Securities Act* (Ontario), the *Securities Act* and the *Derivatives Act* (Québec) and *The Securities Act, 1988* (Saskatchewan), respectively, relating to manipulation and fraud apply.

PART 4 BEST EXECUTION

4.1 Application of this Part – This Part does not apply to a dealer that is carrying on business as an ATS in compliance with section 6.1 of NI 21-101.

4.2 Best Execution – A dealer and an adviser must make reasonable efforts to achieve best execution when acting for a client.

4.3 Order and Trade Information – To satisfy the requirements in section 4.2, a dealer or adviser shall make reasonable efforts to use facilities providing information regarding orders and trades.

PART 5 REGULATORY HALTS

5.1 Regulatory Halts – If a regulation services provider, a recognized exchange, recognized quotation and trade reporting system or an exchange or quotation and trade reporting system that has been recognized for the purposes of this Instrument and NI 21-101 makes a decision to prohibit trading in a particular security for a regulatory purpose, no person or company shall execute a trade for the purchase or sale of that security during the period in which the prohibition is in place.

PART 6 ORDER PROTECTION

6.1 Marketplace Requirements for Order Protection – (1) A marketplace shall establish, maintain and ensure compliance with written policies and procedures that are reasonably designed

(a) to prevent trade-throughs on that marketplace other than the trade-throughs referred to in section 6.2; and

(b) to ensure that the marketplace, when executing a transaction that results in a trade-through referred to in section 6.2, is doing so in compliance with this Part.

(2) A marketplace shall regularly review and monitor the effectiveness of the policies and procedures required under subsection (1) and shall promptly remedy any deficiencies in those policies and procedures.

(3) At least 45 days before implementation, a marketplace shall file with the securities regulatory authority and, if applicable, its regulation services provider the policies and procedures, and any significant changes to those policies and procedures established under subsection (1).

6.2 List of Trade-throughs – For the purposes of paragraph 6.1(1)(a) the permitted trade-throughs are

(a) a trade-through that occurs when the marketplace has reasonably concluded that the marketplace displaying the protected order that was traded through was experiencing a failure, malfunction or material delay of its systems or equipment or ability to disseminate marketplace data;

(b) the execution of a directed-action order;

(c) a trade-through by a marketplace that simultaneously routes a directed-action order to execute against the total displayed volume of any protected order that is traded through;

(d) a trade-through if, immediately before the trade-through, the marketplace displaying the protected order that is traded through displays as its best price a protected order with a price that is equal or inferior to the price of the trade-through;

(e) a trade-through that results when executing

(i) a non-standard order;

(ii) a calculated-price order; or

(iii) a closing-price order;

(f) a trade-through that was executed at a time when the best protected bid for the security traded through was higher than the best protected offer.

6.3 Systems or Equipment Failure, Malfunction or Material Delay – (1) If a marketplace experiences a failure, malfunction or material delay of its systems, equipment or its ability to disseminate marketplace data, the marketplace shall immediately notify

(a) all other marketplaces;

(b) all regulation services providers;

(c) its marketplace participants; and

(d) any information processor or, if there is no information processor, any information vendor that disseminates its data under Part 7 of NI 21-101.

(2) If executing a transaction described in paragraph 6.2(a), and a notification has not been sent under subsection (1), a marketplace that routes an order to another marketplace shall immediately notify

(a) the marketplace that it reasonably concluded is experiencing a failure, malfunction or material delay of its systems or equipment or its ability to disseminate marketplace data;

(b) all regulation services providers;

(c) its marketplace participants; and

(d) any information processor disseminating information under Part 7 of NI 21-101.

(3) If a marketplace participant reasonably concludes that a marketplace is experiencing a failure, malfunction or material delay of its systems or equipment or its ability to disseminate marketplace data, and routes an order to execute against a protected order on another marketplace displaying an inferior price, the marketplace participant must notify the following of the failure, malfunction or material delay

(a) the marketplace that may be experiencing a failure, malfunction or material delay of its systems or equipment or its ability to disseminate marketplace data; and

(b) all regulation services providers.

6.4 Marketplace Participant Requirements for Order Protection – (1) A marketplace participant must not enter a directed-action order unless the marketplace participant has established, and maintains and ensures compliance with, written policies and procedures that are reasonably designed

(a) to prevent trade-throughs other than the trade-throughs listed below:

(i) a trade-through that occurs when the marketplace participant has reasonably concluded that the marketplace displaying the protected order that was traded through was experiencing a failure, malfunction or material delay of its systems or equipment or ability to disseminate marketplace data;

(ii) a trade-through by a marketplace participant that simultaneously routes a directed-action order to execute against the total displayed volume of any protected order that is traded through;

(iii) a trade-through if, immediately before the trade-through, the marketplace displaying the protected order that is traded through displays as its best price a protected order with a price that is equal or inferior to the price of the trade-through transaction;

(iv) a trade-through that results when executing

(A) a non-standard order;

(B) a calculated-price order; or

(C) a closing-price order;

(v) a trade-through that was executed at a time when the best protected bid for the security traded through was higher than the best protected offer; and

(b) to ensure that when executing a trade-through listed in paragraphs (a)(i) to (a)(v), it is doing so in compliance with this Part.

(2) A marketplace participant that enters a directed-action order shall regularly review and monitor the effectiveness of the policies and procedures required under subsection (1) and shall promptly remedy any deficiencies in those policies and procedures.

6.5 Locked or Crossed Orders – A marketplace participant or a marketplace that routes or reprices orders shall not intentionally

(a) enter on a marketplace a protected order to buy a security at a price that is the same as or higher than the best protected offer; or

(b) enter on a marketplace a protected order to sell a security at a price that is the same as or lower than the best protected bid.

6.6 Trading Hours – A marketplace shall set the hours of trading to be observed by marketplace participants.

6.7 Anti-Avoidance – No person or company shall send an order to an exchange, quotation and trade reporting system or alternative trading system that does not carry on business in Canada in order to avoid executing against better-priced orders on a marketplace.

6.8 Application of this Part – In Québec, this Part, except for paragraph 6.3(1)(c), does not apply to standardized derivatives.

PART 7 MONITORING AND ENFORCEMENT OF REQUIREMENTS SET BY A RECOGNIZED EXCHANGE AND A RECOGNIZED QUOTATION AND TRADE REPORTING SYSTEM

7.1 Requirements for a Recognized Exchange

(1) A recognized exchange shall set requirements governing the conduct of its members, including requirements that the members will conduct trading activities in compliance with this Instrument.

(2) A recognized exchange shall monitor the conduct of its members and enforce the requirements set under subsection (1), either

(a) directly, or

(b) indirectly through a regulation services provider.

(3) If a recognized exchange has entered into a written agreement with a regulation services provider, the recognized exchange must set requirements that are necessary for the regulation services provider to be able to effectively monitor trading on the recognized exchange and across marketplaces as required by the regulation services provider.

7.2 Agreement between a Recognized Exchange and a Regulation Services Provider – A recognized exchange that monitors the conduct of its members indirectly through a regulation services provider shall enter into a written agreement with the regulation services provider ~~thatthat~~which provides that the regulation services provider will:

(a) ~~that the regulation services provider will~~ monitor the conduct of the members of ~~aa~~the recognized exchange~~;~~,

(b) monitor the compliance of the recognized exchange with the requirements set under subsection 7.1(3),

(c) ~~(b) (b)~~ ~~that the regulation services provider will~~ enforce the requirements set under subsection 7.1(1)~~;~~.

~~(c) that the~~**7.2.1 Obligations of a Recognized Exchange to a Regulation Services Provider** – A recognized exchange ~~will~~ that has entered into a written agreement with a regulation services provider must

(a) transmit to the regulation services provider the information required ~~bybyunder~~ Part 11 of NI 21-101 and any ~~other~~ information reasonably required by the regulation services provider in the form and manner requested by the regulation services provider to effectively monitor:

(i) the conduct of and trading by marketplace participants on and across marketplaces, including the compliance of marketplace participants with the requirements set under subsection 7.1(1), and

(ii) the conduct of the recognized exchange, ~~as applicable; and(d) thatthat~~including the compliance of the recognized exchange ~~will~~ with the requirements set under subsection 7.1(3); and

(b) comply with all orders or directions made by the regulation services provider.

7.3 Requirements for a Recognized Quotation and Trade Reporting System

(1) A recognized quotation and trade reporting system shall set requirements governing the conduct of its users, including requirements that the users will conduct trading activities in compliance with this Instrument.

(2) A recognized quotation and trade reporting system shall monitor the conduct of its users and enforce the equirements set under subsection (1) either

(a) directly; or

(b) indirectly through a regulation services provider.

(3) If a recognized quotation and trade reporting system has entered into a written agreement with a regulation services provider, the recognized quotation and trade reporting system must set requirements that are necessary for the regulation services provider to be able to effectively monitor trading on the recognized quotation and trade reporting system and across marketplaces as required by the regulation services provider.

7.4 Agreement between a Recognized Quotation and Trade Reporting System and a Regulation Services Provider – A recognized quotation and trade reporting system that monitors the conduct of its users indirectly through a regulation services provider shall enter into a written agreement with the regulation services provider ~~that~~that~~that~~which provides that the regulation services provider will

~~(a) that the regulation services provider will~~ monitor the conduct of the users of ~~a~~athe recognized quotation and trade reporting system~~;~~.

(b) monitor the compliance of the recognized quotation and trade reporting system with the requirements set under subsection 7.3(3), and

(c) ~~that the regulation services provider will~~ enforce the requirements set under subsection 7.3(1).

~~(c) that the~~**7.4.1 Obligations of a Quotation and Trade Reporting System to a Regulation Services Provider** – A recognized quotation and trade reporting system ~~will~~ that has entered into a written agreement with a regulation services provider must

(a) transmit to the regulation services provider the information required ~~by~~by~~by~~under Part 11 of NI 21-101 and any ~~other~~ information reasonably required by the regulation services provider in the form and manner requested by the regulation services provider to effectively monitor:

(i) the conduct of and trading by marketplace participants on and across marketplaces, including the compliance of marketplace participants with the requirements set under subsection 7.3(1), and

(ii) the conduct of the recognized quotation and trade reporting system, ~~as applicable~~applicable~~applicable~~including the compliance of the recognized quotation and trade reporting system with the requirements set under subsection 7.3(3); and

~~(d) that the recognized quotation and trade reporting system will~~ c) comply with all orders or directions made by the regulation services provider.

7.5 Co-ordination of Monitoring and Enforcement – A regulation services provider, recognized exchange, or recognized quotation and trade reporting system shall enter into a written agreement with all other regulation services providers, recognized exchanges, and recognized quotation and trade reporting systems to coordinate monitoring and enforcement of the requirements set under Parts 7 and 8.

PART 8 MONITORING AND ENFORCEMENT REQUIREMENTS FOR AN ATS

8.1 Pre-condition to Trading on an ATS – An ATS shall not execute a subscriber's order to buy or sell securities unless the ATS has executed and is subject to the written agreements required by sections 8.3 and 8.4.

8.2 Requirements Set by a Regulation Services Provider for an ATS

(1) A regulation services provider shall set requirements governing an ATS and its subscribers, including requirements that the ATS and its subscribers will conduct trading activities in compliance with this Instrument.

(2) A regulation services provider shall monitor the conduct of an ATS and its subscribers and shall enforce the requirements set under subsection (1).

8.3 Agreement between an ATS and a Regulation Services Provider – An ATS and a regulation services provider shall enter into a written agreement that provides

(a) that the ATS will conduct its trading activities in compliance with the requirements set under subsection 8.2(1);

(b) that the regulation services provider will monitor the conduct of the ATS and its subscribers;

(c) that the regulation services provider will enforce the requirements set under subsection 8.2(1);

(d) that the ATS will transmit to the regulation services provider the information required by Part 11 of NI 21-101 and any other information reasonably required to effectively monitor:

(i) the conduct of and trading by marketplace participants on and across marketplaces, and

(ii) the conduct of the ATS; and

(e) that the ATS will comply with all orders or directions made by the regulation services provider.

8.4 Agreement between an ATS and its Subscriber – An ATS and its subscriber shall enter into a written agreement that provides

(a) that the subscriber will conduct its trading activities in compliance with the requirements set under subsection 8.2(1);

(b) that the subscriber acknowledges that the regulation services provider will monitor the conduct of the subscriber and enforce the requirements set under subsection 8.2(1);

(c) that the subscriber will comply with all orders or directions made by the regulation services provider in its capacity as a regulation services provider, including orders excluding the subscriber from trading on any marketplace.

8.5 [Repealed]

PART 9 MONITORING AND ENFORCEMENT REQUIREMENTS FOR AN INTER-DEALER BOND BROKER

9.1 Requirements Set by a Regulation Services Provider for an Inter-Dealer Bond Broker

(1) A regulation services provider shall set requirements governing an inter-dealer bond broker, including requirements that the inter-dealer bond broker will conduct trading activities in compliance with this Instrument.

(2) A regulation services provider shall monitor the conduct of an inter-dealer bond broker and shall enforce the requirements set under subsection (1).

9.2 Agreement between an Inter-Dealer Bond Broker and a Regulation Services Provider – An inter-dealer bond broker and a regulation services provider shall enter into a written agreement that provides

(a) that the inter-dealer bond broker will conduct its trading activities in compliance with the requirements set under subsection 9.1(1);

(b) that the regulation services provider will monitor the conduct of the inter-dealer bond broker;

(c) that the regulation services provider will enforce the requirements set under subsection 9.1(1); and

(d) that the inter-dealer bond broker will comply with all orders or directions made by the regulation services provider.

9.3 Exemption for an Inter-Dealer Bond Broker

(1) Sections 9.1 and 9.2 do not apply to an inter-dealer bond broker, if the inter-dealer bond broker complies with the requirements of IIROC Rule 2800 Code of Conduct for Corporation Dealer Member Firms Trading in Wholesale Domestic Debt Markets, as amended.

(2) [Repealed]

PART 10 MONITORING AND ENFORCEMENT REQUIREMENTS FOR A DEALER EXECUTING TRADES OF UNLISTED DEBT SECURITIES OUTSIDE OF A MARKETPLACE

10.1 Requirements Set by a Regulation Services Provider for a Dealer Executing Trades of Unlisted Debt Securities Outside of a Marketplace

(1) A regulation services provider shall set requirements governing a dealer executing trades of unlisted debt securities outside of a marketplace, including requirements that the dealer will conduct trading activities in compliance with this Instrument.

(2) A regulation services provider shall monitor the conduct of a dealer executing trades of unlisted debt securities outside of a marketplace and shall enforce the requirements set under subsection (1).

10.2 Agreement between a Dealer Executing Trades of Unlisted Debt Securities Outside of a Marketplace and a Regulation Services Provider – A dealer executing trades of unlisted debt securities outside of a marketplace shall enter into an agreement with a regulation services provider that provides

(a) that the dealer will conduct its trading activities in compliance with the requirements set under subsection 10.1(1);

(b) that the regulation services provider will monitor the conduct of the dealer;

(c) that the regulation services provider will enforce the requirements set under subsection 10.1(1); and

(d) that the dealer will comply with all orders or directions made by the regulation services provider.

10.3 [Repealed]

PART 11 AUDIT TRAIL REQUIREMENTS

11.1 Application of this Part

(1) This Part does not apply to a dealer that is carrying on business as an ATS in compliance with section 6.1 of NI 21-101.

(2) A dealer or inter-dealer bond broker is exempt from the requirements in section 11.2 if the dealer or inter-dealer bond broker complies with similar requirements, for any securities specified, established by a regulation services provider and approved by the applicable securities regulatory authority.

11.2 Audit Trail Requirements for Dealers and Inter-Dealer Bond Brokers

(1) **Recording Requirements for Receipt or Origination of an Order** – Immediately following the receipt or origination of an order for equity, fixed income and other securities identified by a regulation services provider, a dealer and inter-dealer bond broker shall record in electronic form specific information relating to that order including,

(a) the order identifier;

(b) the dealer or inter-dealer bond broker identifier;

(c) the type, issuer, class, series and symbol of the security;
(d) the face amount or unit price of the order, if applicable;

(e) the number of securities to which the order applies;

(f) the strike date and strike price, if applicable;

(g) whether the order is a buy or sell order;

(h) whether the order is a short sale order, if applicable;

(i) whether the order is a market order, limit order or other type of order, and if the order is not a market order, the price at which the order is to trade;\

(j) the date and time the order is first originated or received by the dealer or inter-dealer bond broker;

(k) whether the account is a retail, wholesale, employee, proprietary or any other type of account;

(l) the client account number or client identifier;

(m) the date and time that the order expires;

(n) whether the order is an intentional cross;

(o) whether the order is a jitney and if so, the underlying broker identifier;

(p) any client instructions or consents respecting the handling or trading of the order, if applicable;

(q) the currency of the order;

(r) an insider marker;

(s) any other markers required by a regulation services provider;

(u) each unique client identifier assigned to a client accessing the marketplace using direct electronic access; and

(v) whether the order is a directed-action order.

(2) **Recording Requirements for Transmission of an Order –** Immediately following the transmission of an order for securities to a dealer, inter-dealer bond broker or a marketplace, a dealer or inter-dealer bond broker transmitting the order shall add to the record of the order maintained in accordance with this section specific information relating to that order including,

(a) the dealer or inter-dealer bond broker identifier assigned to the dealer or inter-dealer bond broker transmitting the order and the identifier assigned to the dealer, inter-dealer bond broker or marketplace to which the order is transmitted; and

(b) the date and time the order is transmitted.

(3) **Recording Requirements for Variation, Correction or Cancellation of an Order –** Immediately following the variation, correction or cancellation of an order for securities, a dealer or inter-dealer bond broker shall add to the record of the order maintained in accordance with this section specific information relating to that order including,

(a) the date and time the variation, correction or cancellation was originated or received;

(b) whether the order was varied, corrected or cancelled on the instructions of the client, the dealer or the inter-dealer bond broker;

(c) in the case of variation or correction, any of the information required by subsection (1) which has been changed; and

(d) the date and time the variation, correction or cancellation of the order is entered.

(4) **Recording Requirements for Execution of an Order –** Immediately following the execution of an order for securities, the dealer or inter-dealer bond broker shall add to the record maintained in accordance with this section specific information relating to that order including,

(a) the identifier of the marketplace where the order was executed or the identifier of the dealer or inter-dealer bond broker executing the order if the order was not executed on a marketplace;

(b) the date and time of the execution of the order;

(c) whether the order was fully or partially executed;

(d) the number of securities bought or sold;

(e) whether the transaction was a cross;

(f) whether the dealer has executed the order as principal;

(g) the commission charged and all other transaction fees; and

(h) the price at which the order was executed, including mark-up or mark-down.

(5) **[Repealed]**

(6) **[Repealed]**

(7) **Record Preservation Requirements –** A dealer and an inter-dealer bond broker shall keep all records in electronic form for a period of not less than seven years from the creation of the record referred to in this section, and for the first two years in a readily accessible location.

11.3 Transmission in Electronic Form – A dealer and inter-dealer bond broker shall transmit

(a) to a regulation services provider the information required by the regulation services provider, within ten business days, in electronic form; and

(b) to the securities regulatory authority the information required by the securities regulatory authority under securities legislation, within ten business days, in electronic form.

PART 12 EXEMPTION

12.1 Exemption

(1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.

PART 13 EFFECTIVE DATE

13.1 Effective Date – This Instrument comes into force on December 1, 2001.

COMPANION POLICY 23-101 CP
TO NATIONAL INSTRUMENT 23-101
TRADING RULES

TABLE OF CONTENTS

COMPANION POLICY 23-101 CP
TO NATIONAL INSTRUMENT 23-101
TRADING RULES

PART 1 INTRODUCTION

1.1 Introduction – The purpose of this Companion Policy is to state the views of the Canadian securities regulatory authorities on various matters related to National Instrument 23-101 Trading Rules (the "Instrument"), including

(a) a discussion of the general approach taken by the Canadian securities regulatory authorities in, and the general regulatory purpose for, the Instrument; and

(b) the interpretation of various terms and provisions in the Instrument.

1.2 Just and Equitable Principles of Trade – While the Instrument deals with specific trading practices, as a general matter, the Canadian securities regulatory authorities expect marketplace participants to transact business openly and fairly, and in accordance with just and equitable principles of trade.

PART 1.1 DEFINITIONS

1.1.1 Definition of best execution – (1) In the Instrument, best execution is defined as the "most advantageous execution terms reasonably available under the circumstances". In seeking best execution, a dealer or adviser may consider a number of elements, including:

a. price;

b. speed of execution;

c. certainty of execution; and

d. the overall cost of the transaction.

These four broad elements encompass more specific considerations, such as order size, reliability of quotes, liquidity, market impact (i.e. the price movement that occurs when executing an order) and opportunity cost (i.e. the missed opportunity to obtain a better price when an order is not completed at the most advantageous time). The overall cost of the transaction is meant to include, where appropriate, all costs associated with accessing an order and/or executing a trade that are passed on to a client, including fees arising from trading on a particular marketplace, jitney fees (i.e. any fees charged by one dealer to another for providing trading access) and settlement costs. The commission fees charged by a dealer would also be a cost of the transaction.

(2) The elements to be considered in determining "the most advantageous execution terms reasonably available" (i.e. best execution) and the weight given to each will vary depending on the instructions and needs of the client, the particular security, the prevailing market conditions and whether the dealer or adviser is responsible for best execution under the circumstances. Please see a detailed discussion below in Part 4.

1.1.2 Definition of automated functionality – Section 1.1 of the Instrument includes a definition of "automated functionality" which is the ability to:

(1) act on an incoming order;

(2) respond to the sender of an order; and

(3) update the order by disseminating information to an information processor or information vendor.

Automated functionality allows for an incoming order to execute immediately and automatically up to the displayed size and for any unexecuted portion of such incoming order to be cancelled immediately and automatically without being booked or routed elsewhere. Automated functionality involves no human discretion in determining the action taken with respect to an order after the time the order is received. A marketplace with this functionality should have appropriate systems and policies and procedures relating to the handling of immediate-or-cancel orders.

1.1.3 Definition of protected order – (1) A protected order is defined to be a "protected bid or protected offer". A "protected bid" or "protected offer" is an order to buy or sell an exchange-traded security, other than an option, that is displayed on a

marketplace that provides automated functionality and about which information is provided to an information processor or an information vendor, as applicable, pursuant to Part 7 of NI 21-101. The term "**displayed on a marketplace**" refers to the information about total disclosed volume on a marketplace. Volumes that are not disclosed or that are "reserve" or hidden volumes are not considered to be "displayed on a marketplace". The order must be provided in a way that enables other marketplaces and marketplace participants to readily access the information and integrate it into their systems or order routers.

(2) Subsection 5.1(3) of 21-101CP does not consider orders that are not immediately executable or that have special terms as "orders" that are required to be provided to an information processor or information vendor under Part 7 of NI 21-101. As a result, these orders are not considered to be "protected orders" under the definition in the Instrument and do not receive order protection. However, those executing against these types of orders are required to execute against all better-priced orders first. In addition, when entering a "special terms order" on a marketplace, if it can be executed against existing orders despite the special term, then the order protection obligation applies.

1.1.4 Definition of calculated-price order – The definition of "**calculated-price order**" refers to any order where the price is not known at the time of order entry and is not based, directly or indirectly, on the quoted price of an exchange-traded security at the time the commitment to executing the order was made. This includes the following orders:

(a) a call market order – where the price of a trade is calculated by the trading system of a marketplace at a time designated by the marketplace;

(b) an opening order – where each marketplace may establish its own formula for the determination of opening prices;

(c) a closing order – where execution occurs at the closing price on a particular marketplace, but at the time of order entry, the price is not known;

(d) a volume-weighted average price order – where the price of a trade is determined by a formula that measures average price on one or more marketplaces; and

(e) a basis order – where the price is based on prices achieved in one or more derivative transactions on a marketplace. To qualify as a basis order, this order must be approved by a regulation services provider or an exchange or quotation and trade reporting system that oversees the conduct of its members or users respectively.

1.1.5 Definition of directed-action order – (1) An order marked as a directed-action order informs the receiving marketplace that the marketplace can act immediately to carry out the action specified by either the marketplace or marketplace participant who has sent the order and that the order protection obligation is being met by the sender. Such an order may be marked "DAO" by a marketplace or a marketplace participant. Senders can specify actions by adding markers that instruct a marketplace to:

(a) execute the order and cancel the remainder using an immediate-or-cancel marker,

(b) execute the order and book the remainder,

(c) book the order as a passive order awaiting execution, and

(d) avoid interaction with hidden liquidity using a bypass marker, as defined in IIROC's Universal Market Integrity Rules.

The definition allows for the simultaneous routing of more than one directed-action order in order to execute against any better-priced protected orders. In addition, marketplaces or marketplace participants may send a single directed-action order to execute against the best protected bid or best protected offer. When it receives a directed-action order, a marketplace can carry out the sender's instructions without checking for better-priced orders displayed by the other marketplaces and implementing the marketplace's own policies and procedures to reasonably prevent trade-throughs.

(2) Regardless of whether the entry of a directed-action order is accompanied by the bypass marker, the sender must take out all better-priced visible orders before executing at an inferior price. For example, if a marketplace or marketplace participant combines a directed-action order with a bypass marker to avoid executing against hidden liquidity, the order has order protection obligations regarding the visible liquidity. If a directed-action order interacts with hidden liquidity, the requirement to take out all better-priced visible orders before executing at an inferior price remains.

1.1.6 Definition of non-standard order – The definition of "**non-standard order**" refers to an order for the purchase or sale of a security that is subject to terms or conditions relating to settlement that have not been set by the marketplace on which the security is listed or quoted. A marketplace participant, however, may not add a special settlement term or condition to an order solely for the purpose that the order becomes a non-standard order under the definition.

PART 2 APPLICATION OF THE INSTRUMENT

2.1 Application of the Instrument – Section 2.1 of the Instrument provides an exemption from subsection 3.1(1) and Parts 4 and 5 of the Instrument if a person or company complies with similar requirements established by a recognized exchange that monitors and enforces the requirements set under subsection 7.1(1) of the Instrument directly, a recognized quotation and trade reporting system that monitors and enforces requirements set under subsection 7.3(1) of the Instrument directly or a regulation services provider. The requirements are filed by the recognized exchange, recognized quotation and trade reporting system or regulation services provider and approved by a securities regulatory authority. If a person or company is not in compliance with the requirements of the recognized exchange, recognized quotation and trade reporting system or the regulation services provider, then the exemption does not apply and that person or company is subject to subsection 3.1(1) and Parts 4 and 5 of the Instrument. The exemption from subsection 3.1(1) does not apply in Alberta, British Columbia, Ontario, Québec and Saskatchewan and the relevant provisions of securities legislation apply.

PART 3 MANIPULATION AND FRAUD

3.1 Manipulation and Fraud

(1) Subsection 3.1(1) of the Instrument prohibits the practices of manipulation and deceptive trading, as these may create misleading price and trade activity, which are detrimental to investors and the integrity of the market.

(2) Subsection 3.1(2) of the Instrument provides that despite subsection 3.1(1) of the Instrument, the provisions of the *Securities* Act (Alberta), the *Securities Act* (British Columbia), the *Securities Act* (Ontario), the *Securities Act* (Québec) and *The Securities Act, 1988* (Saskatchewan), respectively, relating to manipulation and fraud apply in Alberta, British Columbia, Ontario, Québec and Saskatchewan. The jurisdictions listed have provisions in their legislation that deal with manipulation and fraud.

(3) For the purposes of subsection 3.1(1) of the Instrument, and without limiting the generality of those provisions, the Canadian securities regulatory authorities, depending on the circumstances, would normally consider the following to result in, contribute to or create a misleading appearance of trading activity in, or an artificial price for, a security:

(a) Executing transactions in a security if the transactions do not involve a change in beneficial or economic ownership. This includes activities such as wash-trading.

(b) Effecting transactions that have the effect of artificially raising, lowering or maintaining the price of the security. For example, making purchases of or offers to purchase securities at successively higher prices or making sales of or offers to sell a security at successively lower prices or entering an order or orders for the purchase or sale of a security to:

(i) establish a predetermined price or quotation,

(ii) effect a high or low closing price or closing quotation, or

(iii) maintain the trading price, ask price or bid price within a predetermined range.

(c) Entering orders that could reasonably be expected to create an artificial appearance of investor participation in the market. For example, entering an order for the purchase or sale of a security with the knowledge that an order of substantially the same size, at substantially the same time, at substantially the same price for the sale or purchase, respectively, of that security has been or will be entered by or for the same or different persons.

(d) Executing prearranged transactions that have the effect of creating a misleading appearance of active public trading or that have the effect of improperly excluding other marketplace participants from the transaction.

(e) Effecting transactions if the purpose of the transactions is to defer payment for the securities traded.

(f) Entering orders to purchase or sell securities without the ability and the intention to

(i) make the payment necessary to properly settle the transaction, in the case of a purchase; or

(ii) deliver the securities necessary to properly settle the transaction, in the case of a sale.

This includes activities known as free-riding, kiting or debit kiting, in which a person or company avoids having to make payment or deliver securities to settle a trade.

(g) Engaging in any transaction, practice or scheme that unduly interferes with the normal forces of demand for or supply of a security or that artificially restricts or reduces the public float of a security in a way that could reasonably be expected to result in an artificial price for the security.

(h) Engaging in manipulative trading activity designed to increase the value of a derivative position.

(i) Entering a series of orders for a security that are not intended to be executed.

(4) The Canadian securities regulatory authorities do not consider market stabilization activities carried out in connection with a distribution to be activities in breach of subsection 3.1(1) of the Instrument, if the market stabilization activities are carried out in compliance with the rules of the marketplace on which the securities trade or with provisions of securities legislation that permit market stabilization by a person or company in connection with a distribution.

(5) Section 3.1 of the Instrument applies to transactions both on and off a marketplace. In determining whether a transaction results in, contributes to or creates a misleading appearance of trading activity in, or an artificial price for a security, it may be relevant whether the transaction takes place on or off a marketplace. For example, a transfer of securities to a holding company for *bona fide* purposes that takes place off a marketplace would not normally violate section 3.1 even though it is a transfer with no change in beneficial ownership.

(6) The Canadian securities regulatory authorities are of the view that section 3.1 of the Instrument does not create a private right of action.

(7) In the view of the Canadian securities regulatory authorities, section 3.1 includes attempting to create a misleading appearance of trading activity in or an artificial price for, a security or attempting to perpetrate a fraud.

PART 4 BEST EXECUTION

4.1 Best Execution

(1) The best execution obligation in Part 4 of the Instrument does not apply to an ATS that is registered as a dealer provided that it is carrying on business as a marketplace and is not handling any client orders other than accepting them to allow them to execute on the system. However, the best execution obligation does otherwise apply to an ATS acting as an agent for a client.

(2) Section 4.2 of the Instrument requires a dealer or adviser to make reasonable efforts to achieve best execution (the most advantageous execution terms reasonably available under the circumstances) when acting for a client. The obligation applies to all securities.

(3) Although what constitutes “best execution” varies depending on the particular circumstances, to meet the “reasonable efforts” test, a dealer or adviser should be able to demonstrate that it has, and has abided by, its policies and procedures that (i) require it to follow the client’s instructions and the objectives set, and (ii) outline a process designed to achieve best execution. The policies and procedures should describe how the dealer or adviser evaluates whether best execution was obtained and should be regularly and rigorously reviewed. The policies outlining the obligations of the dealer or adviser will be dependent on the role it is playing in an execution. For example, in making reasonable efforts to achieve best execution, the dealer should consider the client’s instructions and a number of factors, including the client’s investment objectives and the dealer’s knowledge of markets and trading patterns. An adviser should consider a number of factors, including assessing a particular client’s requirements or portfolio objectives, selecting appropriate dealers and marketplaces and monitoring the results on a regular basis. In addition, if an adviser is directly accessing a marketplace, the factors to be considered by dealers may also be applicable.

(4) Where securities listed on a Canadian exchange or quoted on a Canadian quotation and trade reporting system are inter-listed either within Canada or on a foreign exchange or quotation and trade reporting system, in making reasonable efforts to achieve best execution, the dealer should assess whether it is appropriate to consider all marketplaces upon which the security is listed or quoted and where the security is traded, both within and outside of Canada.

(5) In order to meet best execution obligations where securities trade on multiple marketplaces in Canada, a dealer should consider information from all appropriate marketplaces (not just marketplaces where the dealer is a participant). This does not mean that a dealer must have access to real-time data feeds from each marketplace. However, its policies and procedures for seeking best execution should include the process for taking into account order and/or trade information from all appropriate marketplaces and the requirement to evaluate whether taking steps to access orders is appropriate under the circumstances. The steps to access orders may include making arrangements with another dealer who is a participant of a particular marketplace or routing an order to a particular marketplace.

(6) For foreign exchange-traded securities, if they are traded on a marketplace in Canada, dealers should include in their best execution policies and procedures a regular assessment of whether it is appropriate to consider the marketplace as well as the foreign markets upon which the securities trade.

(7) Section 4.2 of the Instrument applies to registered advisers as well as registered dealers that carry out advisory functions but are exempt from registration as advisers.

(8) Section 4.3 of the Instrument requires that a dealer or adviser make reasonable efforts to use facilities providing information regarding orders and trades. These reasonable efforts refer to the use of the information displayed by the information processor or, if there is no information processor, an information vendor.

PART 5 REGULATORY HALTS

5.1 Regulatory Halts – Section 5.1 of the Instrument applies when a regulatory halt has been imposed by a regulation services provider, a recognized exchange, or a recognized quotation and trade reporting system. A regulatory halt, as referred to in section 5.1 of the Instrument, is one that is imposed to maintain a fair and orderly market, including halts related to a timely disclosure policy, or because there has been a violation of regulatory requirements. In the view of the Canadian securities regulatory authorities, an order may trade on a marketplace despite the fact that trading of the security has been suspended because the issuer of the security has ceased to meet minimum listing or quotation requirements, or has failed to pay to the recognized exchange, or the recognized quotation and trade reporting system any fees in respect of the listing or quotation of securities of the issuer. Similarly, an order may trade on a marketplace despite the fact that trading of the security has been delayed or halted because of technical problems affecting only the trading system of the recognized exchange, or recognized quotation and trade reporting system.

PART 6 ORDER PROTECTION

6.1 Marketplace Requirements for Order Protection

(1) Subsection 6.1(1) of the Instrument requires a marketplace to establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to prevent trade-throughs by orders entered on that marketplace. A marketplace may implement this requirement in various ways. For example, the policies and procedures of a marketplace may reasonably prevent trade-throughs via the design of the marketplace's trade execution algorithms (by not allowing a trade-through to occur), or by voluntarily establishing direct linkages to other marketplaces. Marketplaces are not able to avoid their obligations by establishing policies and procedures that instead require marketplace participants to take steps to reasonably prevent trade-throughs.

(2) It is the responsibility of marketplaces to regularly review and monitor the effectiveness of their policies and procedures and take prompt steps to remedy any deficiencies in reasonably preventing trade-throughs and complying with subsection 6.1(2) of the Instrument. In general, it is expected that marketplaces maintain relevant information so that the effectiveness of its policies and procedures can be adequately evaluated by regulatory authorities. Relevant information would include information that describes:

(a) steps taken by the marketplace to evaluate its policies and procedures;

(b) any breaches or deficiencies found; and

(c) the steps taken to resolve the breaches or deficiencies.

(3) As part of the policies and procedures required in subsection 6.1(1) of the Instrument, a marketplace is expected to include a discussion of their automated functionality and how they will handle potential delayed responses as a result of an equipment or systems failure or malfunction experienced by another marketplace. In addition, marketplaces should include a discussion of how they treat a directed-action order when received and how it will be used.

(4) Order protection applies whenever two or more marketplaces with protected orders are open for trading. Some marketplaces provide a trading session at a price established by that marketplace during its regular trading hours for

marketplace participants who are required to benchmark to a certain closing price. In these circumstances, under paragraph 6.2(e), a marketplace would not be required to take steps to reasonably prevent trade-throughs of orders on another marketplace.

6.2 Marketplace Participant Requirements for Order Protection

(1) For a marketplace participant that wants to use a directed-action order, section 6.4 of the Instrument requires a marketplace participant to establish, maintain and ensure compliance with written policies and procedures that are reasonably designed to prevent trade-throughs. In general, it is expected that a marketplace participant that uses a directed-action order would maintain relevant information so that the effectiveness of its policies and procedures can be adequately evaluated by regulatory authorities. Relevant information would include information that describes:

(a) steps taken by the marketplace participant to evaluate its policies and procedures;

(b) any breaches or deficiencies found; and

(c) the steps taken to resolve the breaches or deficiencies.

The policies and procedures should also outline when it is appropriate to use a directed-action order and how it will be used as set out in paragraph 6.4(a) of the Instrument.

(2) Order protection applies whenever two or more marketplaces with protected orders are open for trading. Some marketplaces provide a trading session at a price established by that marketplace during its regular trading hours for marketplace participants who are required to benchmark to a certain closing price. In these circumstances, under paragraph 6.4(a)(iv)(C) of the Instrument, a marketplace participant would not be required to take steps to reasonably prevent trade-throughs of orders between marketplaces.

6.3 List of Trade-throughs – Section 6.2 and paragraphs 6.4(a)(i) to (a)(v) of the Instrument set forth a list of "permitted" trade-throughs that are primarily designed to achieve workable order protection and to facilitate certain trading strategies and order types that are useful to investors.

(a)

(i) Paragraphs 6.2(a) and 6.4(a)(i) of the Instrument would apply where a marketplace or marketplace participant, as applicable, has reasonably concluded that a marketplace is experiencing a failure, malfunction or material delay of its systems, equipment or ability to disseminate marketplace data. A material delay occurs when a marketplace repeatedly fails to respond immediately after receipt of an order. This is intended to provide marketplaces and marketplace participants with flexibility when dealing with a marketplace that is experiencing systems problems (either of a temporary nature or a longer term systems issue).

(ii) Under subsection 6.3(1) of the Instrument, a marketplace that is experiencing systems issues is responsible for informing all other marketplaces, its marketplace participants, any information processor, or if there is no information processor, an information vendor disseminating its information under Part 7 of NI 21-101 and regulation services providers when a failure, malfunction or material delay of its systems, equipment or ability to disseminate marketplace data occurs. However, if a marketplace fails repeatedly to provide an immediate response to orders received and no notification has been issued by that marketplace that it is experiencing systems issues, the routing marketplace or a marketplace participant may, pursuant to subsections 6.3(2) and 6.3(3) of the Instrument respectively, reasonably conclude that the marketplace is having systems issues and may therefore rely on paragraph 6.2(a) or 6.4(a)(i) of the Instrument respectively. This reliance must be done in accordance with policies and procedures that outline processes for dealing with potential delays in responses by a marketplace and documenting the basis of its conclusion. If, in response to the notification by the routing marketplace or a marketplace participant, the marketplace confirms that it is not actually experiencing systems issues, the routing marketplace or marketplace participant may no longer rely on paragraph 6.2(a) or paragraph 6.4(a)(i) of the Instrument respectively.

(b) Paragraph 6.2(b) of the Instrument provides an exception from the obligation on marketplaces to use their policies and procedures to reasonably prevent trade-throughs when a directed-action order is received. Specifically, a marketplace that receives a directed-action order may immediately execute or book the order (or its remaining volume) and not implement the marketplace's policies and procedures to reasonably prevent trade-throughs. However, the marketplace will need to describe its treatment of a directed-action order in its policies and procedures. Paragraphs 6.2(c) and 6.4(a)(iii) of the Instrument provide an exception where a

marketplace or marketplace participant simultaneously routes directed-action orders to execute against the total displayed volume of any protected order traded through. This accounts for the possibility that orders that are routed simultaneously as directed-action orders are not executed simultaneously causing one or more trade-throughs to occur because an inferior-priced order is executed first.

(c) Paragraphs 6.2(d) and 6.4(a)(ii) of the Instrument provide some relief due to moving or changing markets. Specifically, the exception allows for a trade-through to occur when immediately before executing the order that caused the trade-through, the marketplace on which the execution occurred had the best price but at the moment of execution, the market changes and another marketplace has the best price. The "changing markets" exception allows for the execution of an order on a marketplace, within the best bid or offer on that marketplace but outside the best bid or offer displayed across marketplaces in certain circumstances. This could occur for example:

(i) where orders are entered on a marketplace but by the time they are executed, the best bid or offer displayed across marketplaces changed; and

(ii) where a trade is agreed to off-marketplace and entered on a marketplace within the best bid and best offer across marketplaces, but by the time the order is executed on the marketplace (i.e. printed) the best bid or offer as ~~disaplayed~~displayed across marketplaces may have changed, thus causing a trade-through.

(d) The basis for the inclusion of calculated-price orders, non-standard orders and closing-price orders in paragraphs 6.2(e) and 6.4(a)(iv) of the Instrument is that these orders have certain unique characteristics that distinguish them from other orders. The characteristics of the orders relate to price (calculated-price orders and closing-price orders) and non-standard settlement terms (non-standard orders) that are not set by an exchange or a quotation and trade reporting system.

(e) Paragraphs 6.2(f) and 6.4(a)(v) of the Instrument include a transaction that occurred when there is a crossed market in the exchange-traded security. Without this allowance, no marketplace could execute transactions in a crossed market because it would constitute a trade-through. With order protection only applying to displayed orders or parts of orders, hidden or reserve orders may remain in the book after all displayed orders are executed. Consequently, crossed markets may occur. Intentionally crossing the market to take advantage of paragraphs 6.2(f) and 6.4(a)(v) of the Instrument would be a violation of section 6.5 of the Instrument.

6.4 Locked and Crossed Markets

(1) Section 6.5 of the Instrument provides that a marketplace participant or a marketplace that routes or reprices orders shall not intentionally lock or cross a market by entering a protected order to buy a security at a price that is the same as or higher than the best protected offer or entering a protected order to sell a security at a price that is the same as or lower than the best protected bid. This provision is not intended to prohibit the use of marketable limit orders. Paragraphs 6.2(f) and 6.4(a)(v) of the Instrument allow for the resolution of crossed markets that occur unintentionally.

The Canadian securities regulatory authorities consider an order that is routed or repriced to be "entered" on a marketplace. The Canadian securities regulatory authorities do not consider the triggering of a previously-entered on-stop order to be an "entry" or "repricing" of that order.

(2) Section 6.5 of the Instrument prohibits a marketplace participant or a marketplace that routes or reprices orders from intentionally locking or crossing a market. This would occur, for example, when a marketplace participant enters a locking or crossing order on a particular marketplace or marketplaces to avoid fees charged by a marketplace or to take advantage of rebates offered by a particular marketplace. This could also occur where a marketplace system is programmed to reprice orders without checking to see if the new price would lock the market or where the marketplace routes orders to another marketplace that results in a locked market.

There are situations where a locked or crossed market may occur unintentionally. For example:

(a) when a marketplace participant routes multiple directed-action orders that are marked immediate-or-cancel to a variety of marketplaces and because of latency issues, a locked or crossed market results,

(b) the locking or crossing order was displayed at a time when the marketplace displaying the locked or crossed order was experiencing a failure, malfunction or material delay of its systems, equipment or ability to disseminate marketplace data,

(c) the locking or crossing order was displayed at a time when a protected bid was higher than a protected offer;

(d) the locking or crossing order was posted after all displayed liquidity was executed and a reserve order generated a new visible bid above the displayed offer or offer below the displayed bid.

(e) the locking or crossing order was entered on a particular marketplace in order to comply with securities legislation requirements such as Rule 904 of Regulation S of the *Securities Act of 1933* that requires securities subject to resale restrictions in the United States to be sold in Canada on a "designated offshore securities market",

(f) the locking or crossing order was displayed due to "race conditions" when competing orders are entered on marketplaces at essentially the same time with neither party having knowledge of the other order at the time of entry,

(g) the locking or crossing order was a result of the differences in processing times and latencies between the systems of the marketplace participant, marketplaces, information processor and information vendors,

(h) the locking or crossing order was a result of marketplaces having different mechanisms to "restart" trading following a halt in trading for either regulatory or business purposes, and

(i) the locking or crossing order was a result of the execution of an order during the opening or closing allocation process of one market, while trading is simultaneously occurring on a continuous basis on another market,

(3) If a marketplace participant using a directed-action order chooses to book the order or the remainder of the order, then it is responsible for ensuring that the booked portion of the directed-action order does not lock or cross the market. The Canadian securities regulatory authorities would consider a directed-action order or remainder of directed-action order that is booked and that locks or crosses the market to be an intentional locking or crossing of the market and a violation of section 6.5 of the Instrument.

6.5 Anti-Avoidance Provision – Section 6.7 of the Instrument prohibits a person or company from sending an order to an exchange, quotation and trade reporting system or alternative trading system that does not carry on business in Canada in order to avoid executing against better-priced orders on a marketplace in Canada. The intention of this section is to prevent the routing of orders to foreign marketplaces only for the purpose of avoiding the order protection regime in Canada.

PART 7 MONITORING AND ENFORCEMENT

7.1 Monitoring and Enforcement of Requirements Set By a Recognized Exchange or Recognized Quotation and Trade Reporting System – Under section 7.1 of the Instrument, a recognized exchange will set its own requirements governing the conduct of its members. Under section 7.3 of the Instrument, a recognized quotation and trade reporting system will set its own requirements governing the conduct of its users. The recognized exchange or recognized quotation and trade reporting system can monitor and enforce these requirements either directly or indirectly through a regulation services provider. A regulation services provider is a person or company that provides regulation services and is either a recognized exchange, recognized quotation and trade reporting system or a recognized self-regulatory entity.

If a recognized exchange or recognized quotation and trade reporting system has entered into a written agreement with a regulation services provider, it is expected that the requirements set by recognized exchange or recognized quotation and trade reporting system under Part 7 of the Instrument will consist of all of the rules of the regulation services provider that relate to trading. For example, if a recognized exchange or recognized quotation and trade reporting system has entered into a written agreement with IIROC, the rules adopted by the recognized exchange or recognized quotation and trade reporting system are all of IIROC's Universal Market Integrity Rules. Clock synchronization, trade markers and trading halt requirements would be examples of these adopted rules that relate to the regulation services provider's monitoring of trading on the recognized exchange or recognized quotation and trade reporting system and across marketplaces.

We are of the view that all of the rules of the regulation services provider related to trading must be adopted by a recognized exchange or recognized quotation and trade reporting system that has entered into a written agreement with the regulation services provider given the importance of these rules in the context of effectively monitoring trading on and across marketplaces. We note that the regulation services provider is required to monitor the compliance of, and enforce, the adopted rules as against the members of the recognized exchange or users of the recognized quotation and trade reporting system. The regulation services provider is also required to monitor the compliance of the recognized exchange or recognized quotation and

trade reporting system with the adopted rules but it is the applicable securities regulatory authority that will enforce these rules against the recognized exchange or recognized quotation and trade reporting system.

Sections 7.2 and 7.4 of the Instrument require the recognized exchange or recognized quotation and trade reporting system that chooses to have the monitoring and enforcement performed by the regulation services provider to enter into an agreement with the regulation services provider in which the regulation services provider agrees to enforce the requirements of the recognized exchange or recognized quotation and trade reporting system~~.~~ set under subsection 7.1(1) and 7.3(1).

Specifically, sections 7.2 and 7.4 require the written agreement between a recognized exchange or recognized quotation and trade reporting system and its regulation services provider to provide that the regulation services provider will monitor and enforce the requirements set under subsection 7.1(1) or 7.3(1) and monitor the requirements set under subsection 7.1(3) or 7.3(3).

Paragraph 7.2.1(a)(i) mandates that a recognized exchange must transmit information reasonably required by the regulation services provider to effectively monitor the conduct of and trading by marketplace participants on and across marketplaces. The reference to monitoring trading "across marketplaces" refers to the instance where particular securities are traded on multiple marketplaces. Where particular securities are only traded on one marketplace, the reference to "across marketplaces" may not apply in all circumstances.

Paragraph 7.2.1(a)(ii) requires that a recognized exchange must transmit information reasonably required by the regulation services provider to effectively monitor the compliance of the recognized exchange with the requirements set under subsection 7.1(3). As well, subsection 7.2.1(b) requires a recognized exchange to comply with all orders or directions of its regulation services provider that are in connection with the conduct and trading by the recognized exchange's members on the recognized exchange and with regulation services provider's oversight of the compliance of the recognized exchange with the requirements set under 7.1(3).

7.2 Monitoring and Enforcement Requirements for an ATS – Section 8.2 of the Instrument requires the regulation services provider to set requirements that govern an ATS and its subscribers. Before executing a trade for a subscriber, the ATS must enter into an agreement with a regulation services provider and an agreement with each subscriber. These agreements form the basis upon which a regulation services provider will monitor the trading activities of the ATS and its subscribers and enforce its requirements. The requirements set by a regulation services provider must include requirements that the ATS and its subscribers will conduct trading activities in compliance with the Instrument. The ATS and its subscribers are considered to be in compliance with the Instrument and are exempt from the application of most of its provisions if the ATS and the subscriber are in compliance with the requirements set by a regulation services provider.

7.3 Monitoring and Enforcement Requirements for an Inter-Dealer Bond Broker – Section 9.1 of the Instrument requires that a regulation services provider set requirements governing the conduct of an inter-dealer bond broker. Under section 9.2 of the Instrument, the inter-dealer bond broker must enter into an agreement with the regulation services provider providing that the regulation services provider monitor the activities of the inter-dealer bond broker and enforce the requirements set by the regulation services provider. However, section 9.3 of the Instrument provides inter-dealer bond brokers with an exemption from sections 9.1 and 9.2 of the Instrument if the inter-dealer bond broker complies with the requirements of IIROC Rule 2800 Code of Conduct for Corporation Dealer Member Firms Trading in Wholesale Domestic Debt Markets, as amended, as if that policy was drafted to apply to the inter-dealer bond broker.

7.4 Monitoring and Enforcement Requirements for a Dealer Executing Trades of Unlisted Debt Securities Outside of a Marketplace – Section 10.1 of the Instrument requires that a regulation services provider set requirements governing the conduct of a dealer executing trades of unlisted debt securities outside of a marketplace. Under section 10.2 of the Instrument, the dealer must also enter into an agreement with the regulation services provider providing that the regulation services provider monitor the activities of the dealer and enforce the requirements set by the regulation services provider.

7.5 Agreement between a Marketplace and a Regulation Services Provider

The purpose of subsections 7.2(c) and 7.4(c) of the Instrument is to facilitate the monitoring of trading by marketplace participants on and across multiple marketplaces by a regulation services provider. These sections of the Instrument also facilitate monitoring of the conduct of a recognized exchange and recognized quotation and trade reporting system for particular purposes. This may result in regulation services providers monitoring marketplaces that have retained them and reporting to a recognized exchange, recognized quotation and trade reporting system or securities regulatory authority if a marketplace is not meeting regulatory requirements or the terms of its own rules or policies and procedures. While the scope of this monitoring may change as the market evolves, we expect it to include, at a minimum, monitoring clock synchronization, the inclusion of specific designations, symbols and identifiers, order protection requirements and audit trail requirements.

7.6 Coordination of Monitoring and Enforcement

(1) Section 7.5 of the Instrument requires regulation services providers, recognized exchanges and recognized quotation and trade reporting systems to enter into a written agreement whereby they coordinate the enforcement of the requirements set under Parts 7 and 8. This coordination is required in order to achieve cross-marketplace monitoring.

(2) If a recognized exchange or recognized quotation and trade reporting system has not retained a regulation services provider, it is still required to coordinate with any regulation services provider and other exchanges or quotation and trade reporting systems that trade the same securities in order to ensure effective cross-marketplace monitoring.

(3) Currently, only IIROC is the regulation services provider for both exchange-traded securities, other than options and in Québec, other than standardized derivatives, and unlisted debt securities. If more than one regulation services provider regulates marketplaces trading a particular type of security, these regulation services providers must coordinate monitoring and enforcement of the requirements set.

PART 8 AUDIT TRAIL REQUIREMENTS

8.1 Audit Trail Requirements – Section 11.2 of the Instrument imposes obligations on dealers and inter-dealer bond brokers to record in electronic form and to report certain items of information with respect to orders and trades. Information to be recorded includes any markers required by a regulation services provider (such as a significant shareholder marker). The purpose of the obligations set out in Part 11 is to enable the entity performing the monitoring and surveillance functions to construct an audit trail of order, quotation and transaction data which will enhance its surveillance and examination capabilities.

8.2 Transmission of Information to a Regulation Services Provider – Section 11.3 of the Instrument requires that a dealer and an inter-dealer bond broker provide to the regulation services provider information required by the regulation services provider, within ten business days, in electronic form. This requirement is triggered only when the regulation services provider sets requirements to transmit information.

8.3 Electronic Form – Subsection 11.3 of the Instrument requires any information required to be transmitted to the regulation services provider and securities regulatory authority in electronic form. Dealers and inter-dealer bond brokers are required to provide information in a form that is accessible to the securities regulatory authorities and the regulation services provider (for example, in SELECTR format).

ANNEX E

Local Matters
Cost Benefit Analysis

Anticipated Costs and Benefits

The following is a description of the costs and benefits that may arise in complying with the proposed amendments to National Instrument 21-101 *Marketplace Operation* (NI 21-101) and Companion Policy 21-101CP (21-101CP), National Instrument 23-101 (NI 23-101) *Trading Rule* and Companion Policy 23-101CP (23-101CP); Form 21-101F1 *Information Statement Exchange or Quotation and Trade Reporting System* (Form 21-101F1); Form 21-101F2 *Initial Operation Report Alternative Trading System* (Form 21-101F2); Form 21-101F3 *Quarterly Report of Marketplace Activities*, and Form 21-101F5 *Initial Operation Report for Information Processor* (Form 21-101F5), together, the Proposed Amendments. Omitted from the cost discussion are Proposed Amendments that would clarify existing requirements and those that extend the exemption from transparency requirements applicable to government debt securities as we anticipate these changes will not result in any costs. We welcome feedback on any of these and any other additional costs and benefits that may be associated with the Proposed Amendments.

I. MARKETPLACE SYSTEMS AND BUSINESS CONTINUITY PLANNING

(i) Participation in industry-wide business continuity plans

Proposed section 12.4.1 of NI 21-101 would require marketplaces, recognized clearing agencies, information processors and marketplace participants to participate in industry-wide business continuity tests (BCTs).

Costs

Since virtually all regulated entities currently participate in industry-wide business continuity plan (BCP) tests on a voluntary basis, the additional costs and burden on these entities should be minimal. The effort required to plan and design, schedule and conduct testing would be similar whether BCP testing was mandatory or voluntary.

It ought to be kept in mind that any increased burden imposed by the requirement to coordinate BCP testing would, to some degree, be defrayed by savings arising from fewer separate (and duplicative) tests being conducted.

There may be additional costs that some marketplace participants may incur. For dealers that have not voluntarily participated in industry BCP testing, additional costs will accrue to them. To the extent that a marketplace participant would need to invest in additional infrastructure to connect to marketplaces' backup systems in order to participate in industry-wide testing, its expenditures would be higher than for those that already have the infrastructure in place.

Benefits

We are of the view that compulsory participation in BCTs by marketplaces, clearing agencies, information processors (IPs) and marketplace participants is essential for any realistic expectation of a swift and complete recovery from a major disaster within a reasonable length of time.

Given the current, fragmented nature of the Canadian equity marketplaces, recovery from a disaster is significantly more complex than it was a few years ago. The requirement to participate in industry-wide BCTs would help ensure that efforts to develop effective BCP and disaster recovery plans (DRPs) will not be undermined by a lack of participation.

Full participation by all parties that contribute to the daily operation of the Canadian equities market would be necessary for the successful implementation of business continuity and disaster recovery plans if they were put into effect. Robust industry-wide BCTs would provide confidence that critical internal and *external* continuity arrangements are operational and compatible. Successful industry-wide BCTs could provide a certain assurance that, in the event of activating BCPs and DRPs, such participation would likely result in the maintenance of fair and orderly markets, improved resilience and reduce recovery time after a disaster.

(ii) Resumption of critical technology systems after disaster

Subsection 12.4(2) of NI 21-101 would require a marketplace with a total trading volume in any type of security equal to or greater than 10% of the total dollar value of the trading volume in that type of security on all marketplaces in Canada during at least two of the preceding three months of operations to ensure that each system operated by or on behalf of the marketplace that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, and trade clearing can resume operations within 2 hours following the declaration of a disaster by the marketplace. Subsection 12.4(3) would require a recognized exchange or quotation and trade reporting system (QTRS) that directly monitors the conduct of its members or users

to ensure each system operated by or on behalf of the marketplace that supports market surveillance can resume operations within two hours following the declaration of a disaster by the exchange or QTRS. In addition, an RSP that has entered into a written agreement with a marketplace to conduct market surveillance for that marketplace must ensure that each system, operated by or on behalf of the RSP, that supports real-time market surveillance can resume operations within two hours following the declaration of a disaster by the RSP. Finally, subsection 14.6(3) would require an IP to ensure its critical information technology systems can resume operations within 1 hour following a declaration of disaster by the IP.

Costs

Currently, certain equity marketplaces have set the goal to be able to resume operations of its critical systems within 2 hours after declaring a disaster. We do not anticipate any additional costs for these marketplaces. However, for a marketplace that does not currently have the elements in place to strive for 2 hour resumption of operations, we anticipate that it would incur significant costs if a secondary processing site had to be procured and robust disaster recovery plans had to be developed and instituted.

The current RSP has set the timeframe within which it would able to resume the operations of its market surveillance systems to be much less than two hours and therefore we do not anticipate that this proposed requirement would impose additional costs on the RSP.

It is also our understanding that currently there is an IP that has set the goal to be able to resume operations of its critical systems within one hour following declaring a disaster and therefore we anticipate that this proposed requirement would not impose a significant cost.

Benefits

Marketplaces, information processors and RSPs are important market infrastructure entities and imposing a maximum recovery time after the declaration of a disaster will create a minimum standard for these entities and help ensure fair and orderly markets after a disaster. We think that the costs related to this specific proposed change are proportionate to these benefits.

(iii) Uniform test symbols in production environments

Section 12.3.1 proposes that a marketplace use uniform test symbols (as set by a regulator or securities regulatory authority) for the purposes of testing to be performed by its marketplace participants in the marketplace's production environment.

Costs

We believe that providing uniform test symbols should not be costly to marketplaces. With regards to IT infrastructure and systems, the set-up and maintenance of test symbols would correspond to that of currently used symbols. Symbols for newly listed companies are often created, and symbols are readily retired in the course of ordinary business. The cost for a marketplace to add symbols is marginal as the table of symbols is scalable and the expense associated with its development has already been incurred.

With respect to allowing testing to occur in the marketplace's production environment, we note that a marketplace may incur set-up costs from designing and implementing an oversight regime for testing in the production environment. Sufficient ongoing surveillance would likely be required on the part of a marketplace to ensure that the testing activities of its participants in the production environment do not interfere with the orderly operation of a marketplace. As well, we anticipate that a marketplace would have written policies and procedures in place to regulate testing in its production environment and outline the actions it may take in certain circumstances to limit a participant's access with respect to testing.

We anticipate that the ongoing annual costs of complying with the requirement to use uniform test symbols to enable testing to be performed in production would be similar to those with respect to providing a separate testing environment.

Benefits

As equity trading often involves sophisticated trading techniques and systems that connect to multiple marketplaces, the distinct testing environments that each marketplace furnishes remain disconnected and cannot associate with each other. The proposed change would give marketplace participants the ability to put new or altered systems, hardware or algorithms through their paces across multiple marketplaces in order to detect and correct any defects or flaws that may arise. This would help reduce costly incidents that have the potential to disrupt the fair and orderly operation of markets and in turn compromise the integrity of the markets. Furthermore, this proposed change would eliminate the risk that marketplace testing environments may not be a reasonably good proxy of the marketplace's production environments and instead allow participants to obtain testing results that would better mirror the outcomes that would arise when conducting bona fide testing.

We believe that the benefits to market integrity as a result of the proposed changes are proportionate to the costs of implementing these changes.

(iv) Security breaches

Proposed subsection 12.1(c) of NI 21-101 would require a marketplace to promptly notify the regulator, or in Québec, the securities regulatory authority, of any material security breach of a system that supports order entry, order routing, execution, trade reporting, trade comparison, data feeds, market surveillance and trade clearing (trading related systems). As well, a marketplace would be required to promptly notify the regulator, or in Québec, the securities regulatory authority, of a material security breach of a system that shares network resources with a trading related system under proposed section 12.1.1 of NI 21-101.

Costs

The expectation that a marketplace notify a regulator or securities regulatory authority of a material security breach would not impose a material or unreasonable cost. Marketplaces should remain vigilant of potential security threats regardless of whether required to notify a regulatory authority. Requiring marketplaces to notify the Commission of security breaches would require the marketplace to monitor for security breaches and adopt notification mechanisms to ensure that the regulator or securities regulatory authority, as applicable, will be promptly notified in the event of a material security breach.

Benefits

The added requirement to promptly notify the regulator or securities regulatory authority of any material security breach would strengthen our ability to assure the integrity of our capital markets. Due to the growing complexity and interconnectedness of the various equity marketplace systems, a security breach in one system that shares network resources could impact other systems vital to the operation of a marketplace. Such system intrusions and disruptions could pose significant harm or loss to marketplace participants.

We believe that notification of a material security breach to a regulator or securities regulatory authority along with updates on the status of the security breach and the steps being taken to remedy the breach would contribute to the security and resilience of the markets. These proposed requirements would help us become better informed of the security threats experienced by marketplaces and their efforts to combat them and we are of the view this benefit is proportionate to the costs associated with this change.

(v) Independent Systems Reviews – Expansion of Scope and Revised Submission Deadline

Subsection 12.2(1) of NI 21-101 is proposed to be amended to include that the annual independent systems review (ISR) also encompass systems that share network resources with trading related systems, that if breached, would be reasonably likely to pose a security threat to one or more of these systems.

We also propose to amend paragraph 12.2(2)(b) of NI 21-101 to allow that the report resulting from the ISR must be furnished to the regulator or securities regulatory authority within the earlier of 30 days of providing the report to its board of directors or the audit committee or 60 days after the calendar year end.

Costs

With respect to the scope of the ISR, since a marketplace is already required to engage a qualified party to conduct an annual independent assessment of its systems and internal controls, the review of systems that share network resources with trading related systems should not pose a significant additional cost to a marketplace.

Regarding the proposed alternate deadline for providing the ISR report, we note that the submission of the ISR report to a regulator or securities regulatory authority was already required, and that the proposed modification would provide for a clear and reasonable deadline based on the calendar year end. We do not expect marketplaces to incur material costs on account of this amendment.

Benefits

It is proposed that an annual independent assessment by a qualified party of a marketplace's information technology security and internal controls will encompass systems that share network resources with one or more of its trading related systems (auxiliary systems). A breach of these auxiliary systems could pose an appreciable security threat. Thus, an impartial risk assessment of such systems would contribute to the development of sufficient internal controls to detect, respond to and, ideally, pre-empt security threats. Such a risk assessment should also assist marketplaces to not only identify weaknesses but also to determine where to best devote resources.

Given the growing concern with system security, the added measures clearly establish the importance we place on this matter. The benefits of complying with these measures would be proportionate to the costs.

(vi) Launch of new marketplaces and material changes to marketplace technology requirements

The proposed changes to subsection 12.3(3) of NI 21-101 would prohibit a marketplace from beginning operations or implementing a material change to its technology requirements until three months after notification of the completion of the review of the marketplace's initial filing or change in information by the regulator or securities regulatory authority and a reasonable period of time after the regulator or securities regulatory authority has completed its review.

As well, proposed subsection 12.3(5) would prohibit a marketplace from launching operations before its chief information officer has certified that all information technology systems used by the marketplace have been tested according to prudent business practices and are operating as designed. Further, proposed subsection 12.3 (6) would require a chief information officer of a marketplace to certify that a material change to the marketplace's technology requirements has been tested according to prudent business practices and is operating as designed before the marketplace may implement the change.

Costs

We anticipate that the primary cost to a marketplace in complying with these proposed changes is an opportunity cost in not being able to begin operations or implement a material change to its technology requirements as soon as it is able and the effort required in certifying the testing of a marketplace's information technology systems or a material change to a marketplace's technology requirements.

Benefits

Setting a minimum period of time before a marketplace may launch operations or implement a significant technology change would help ensure that prudent business practices are followed by the marketplace during these periods. In addition, the proposed change would give marketplace participants and service vendors a reasonable opportunity to prepare for the marketplace launch or changes. As well, the proposed certifications would help mitigate systems risks that arise when a new marketplace or a material systems change to technology requirements is introduced.

We believe that the fair and orderly operations of a marketplace would be enhanced and the risk of a marketplace disruption and its associated unintended consequences would be mitigated with these proposed changes. We think that the potential opportunity cost lost by a marketplace due to the Proposed Amendments is proportionate to the benefits of protecting the Canadian capital markets as a whole.

(iv) Other systems related amendments

The information to be reported in Exhibit G in Form 21-101F1 and 21-101F2 is proposed to be changed to ensure we receive relevant and consistent information from marketplaces regarding systems, contingency planning system capacity and IT risk management. We anticipate that a marketplace will only incur nominal costs in reporting the information that is proposed to be added to Exhibit G and that these costs are proportionate to the benefits of having relevant and consistent systems information from marketplaces.

II. USE OF MARKETPLACE PARTICIPANTS' TRADING INFORMATION FOR CAPITAL MARKETS RESEARCH

Proposed subsection 5.10(1.1) sets out conditions under which a marketplace may release a marketplace participant's order or trade information to a person or company without obtaining written consent from the marketplace participant with respect to the release of the information.

Costs

There is no requirement for a marketplace to provide the order and trade information of its marketplace participants to a researcher. However, if a marketplace chooses to provide this information, it would incur costs related to the drafting and execution of agreements with researchers, research assistants and any entities involved in the verification of the research required under the proposed provision. As well, in the event of a breach or possible breach of the confidentiality of the information provided or of the agreement with the researcher, a marketplace may incur costs in taking all appropriate steps to address the breach or possible breach.

Benefits

We are of the view that capital markets research benefits our market as a whole. This proposed change would rectify an unintended result of the amendments to NI 21-101 that came into effect in 2012 that prohibits marketplaces from providing order and trade information to capital markets researchers and would allow this type of research to once again continue. We are of the view that the costs are proportionate to the benefits of this proposed change.

III. ACCESS ARRANGEMENTS WITH A SERVICE PROVIDER

Proposed section 5.13 of NI 21-101 would require a marketplace to ensure that a third party service provider that provides a means of access to the marketplace complies with the access criteria the marketplace has established under paragraph 5.1(2)(a) of NI 21-101.

Costs

In ensuring the third-party service provider is complying with the criteria the marketplace has developed, costs may be incurred on account of discussions, reviews and possible changes to the marketplace's agreements with its third-party service provider.

Benefits

We are of the view that access to a marketplace should be provided fairly and in accordance with the marketplace access requirements set under section 5.1 of NI 21-101. Prohibiting unreasonable limitations or conditions to access is an important aspect to the integrity of our markets and we think that the costs related to ensuring that marketplace access is provided in a manner that complies with section 5.1 are proportionate to the benefits of maintaining the principle of fair access to marketplaces.

IV. INFORMATION IN FORMS 21-101, 21-101F2 and 21-101F3

(i) Provision of proposed form changes to RSP

Subsection 3.1(1.1) of NI 21-101 would require an exchange that has entered into an agreement with an RSP to not implement a significant change to a matter set out in Exhibit E – Operation of the Marketplace and Exhibit I – Securities of Form 21-101F1 unless the exchange has provided the filing to its RSP for at least 45 days before implementing the change. A similar requirement is imposed on alternative trading systems.

Costs

A marketplace is currently required to provide proposed significant changes to Exhibits E and I of Form 21-101F1 or Exhibits E and I of Form 21-101F2, as applicable, to its regulator or securities regulatory authority at least 45 days before implementing the changes. These significant changes are provided to a regulator or a securities regulatory authority mainly via e-mail. We envision that the RSP would be included on the e-mails that are sent to the regulator or securities regulatory authority and therefore do not anticipate that a marketplace would incur significant costs in complying with this proposed requirement.

Benefits

These proposed changes would help ensure that the RSP of a marketplace is kept informed of changes to the operations of a marketplace so that it is able to effectively perform its regulatory functions. We think that the nominal cost in complying with this provision is outweighed by the benefits of more efficient and effective regulation that the RSP can provide when kept abreast of changes to the operations of the marketplaces that it regulates.

(ii) Annual certification and consolidation of Form 21-101F1 and Form 21-101F2 information

Proposed subsection 3.2(4) of NI 21-101 would require the chief executive officer of a marketplace, or an individual performing a similar function, to annually certify that the information in the marketplace's Form 21-101F1 or Form 21-101F2, as applicable, is true, correct, complete and that the information describes the operations of the marketplace as implemented. Additionally, subsection 3.2(5) would require marketplaces to provide an updated and consolidated form on an annual basis.

Costs

We expect that marketplace staff and the chief executive officer will need to devote time to reviewing the information in its applicable form to determine if the current information remains true and correct and if any additional information should be included so that the contents of the form completely and accurately describe the operations of the marketplace as they have been implemented.

Benefits

These proposed requirements will help ensure that the information provided to the securities regulatory authorities is complete and up-to-date. This will improve our ability to understand the risks faced by the market in general and, in particular, the marketplaces that we regulate. The knowledge gained will also improve our ability to regulate marketplaces more effectively.

(iii) Changes to Form 21-101F3

The Proposed Amendments would require a marketplace to include information regarding systems changes and systems outages in Form 21-101F3.

The Proposed Amendments would also require the marketplace to provide information on all fixed income securities traded on its platform rather than just the top ten securities. Moreover, we propose to revise the representation of the information provided in Charts 2, 3, 15 and 16 so that marketplaces provide the raw number for the volume, value and number of trades rather than report them as a percentage. As well, the actual number of orders executed and cancelled would be reported rather than a percentage of these orders.

Finally, we propose to remove the requirement that marketplaces provide a list of all marketplace participants that are using the marketplace's co-location services and the percentage of marketplace participants that use a marketplace's co-location services. We note that the aforementioned information would be provided in Form 21-101F1 or Form 21-101F2 under the Proposed Amendments.

Costs

We do not expect marketplaces to incur significant costs as a result of these proposed changes. The requirement to provide the raw number for the volume, value and number of trades rather than the percentage will require fewer calculations on the part of the marketplaces. We also expect that the reporting of all fixed income securities that are traded on the marketplace will not be difficult for marketplaces to provide, especially when using the electronic version of Form 21-101F3. In addition, a marketplace should only incur nominal costs for the reporting of systems changes or outages.

Benefits

The changes to the Form 21-101F3 will streamline some of the information reported and facilitate the electronic filing of this form. The proposed changes for additional information regarding systems and technology changes will help us anticipate and address issues that we may identify for marketplaces and keep abreast of changes in our markets in general.

V. PROVISION OF DATA TO INFORMATION PROCESSOR

The Proposed Amendments would require a marketplace to not make available the order and trade information that it is required to report under sections 7.1 and 7.2 of NI 21-101 to any person or company before it makes it available to the information processor or information vendor as applicable.

Costs

We do not expect that there will be additional costs to this proposed change as it merely codifies the current guidance in subsection 9.1(2) of 21-101CP and we expect that marketplaces are currently following this guidance. This proposed change however, would make it a requirement rather than merely provide guidance as to what the CSA's expectations are in this area.

Benefits

To support the integrity and fairness of our markets, we hold that a person or company should be not be provided an advantage by receiving order and trade information before an information processor or, if applicable, information vendor. We think that the nominal cost of complying with this proposed change is outweighed by the benefits of ensuring that order and trade information is provided on a fair basis to all entities.

VI. OBLIGATIONS OF A RECOGNIZED EXCHANGE TO A REGULATION SERVICES PROVIDER

Proposed section 7.2.1 of NI 23-101 would make certain provisions that currently must be included in an agreement between a recognized exchange and an RSP into direct requirements that a recognized exchange would have to follow. As well, it is proposed that an exchange transmit to its RSP information required by the RSP to monitor the compliance of the recognized exchange with its rules, specifically those that are related to and are necessary for the RSP to monitor trading on the exchange and across marketplaces. The proposed guidance regarding proposed section 7.2.1 would clarify the obligations that a recognized exchange would have in relation to its RSP.

Costs

We do not anticipate any significant costs as a result of these proposed changes as we are of the view that these proposed changes help clarify the current requirements between a recognized exchange and its RSP.

Benefits

We expect that the added clarity of an exchange's obligations to its RSP will help ensure that an RSP is provided with the appropriate information required to effectively conduct its oversight and thereby improve market integrity. We think that the nominal costs of these proposed changes are outweighed by the benefits of improved market integrity.

VII. FORM OF INFORMATION PROVIDED TO REGULATORS

The proposed change to section 11.2.1 of NI 21-101 would require a marketplace to transmit required information in the manner that is requested by a securities regulatory authority and, if applicable, its RSP.

Costs

We do not anticipate that the requested manner for required information will impose a significant cost burden on a marketplace.

Benefits

This proposed change will ensure that regulators will receive information in the format that will be most useful and therefore assist in more effective and efficient regulation of marketplaces. We think this benefit outweighs the nominal costs in complying with this proposed change.

VIII. CLEARING AND SETTLEMENT

It is proposed in subsection 13.2(1) of NI 21-101 that a marketplace must report a trade in a security to a clearing agency designated by a marketplace participant. Proposed subsection 13.2(2) of NI 21-101 limits the scope of subsection 13.2(1) in that marketplace trades in standardized derivatives or exchange-traded securities that are options, would not be subject to the provision.

Costs

We anticipate that there will be costs to establishing a connection with a clearing agency to report trades however we do not think that these costs will be significant.

Benefits

In the context of the acquisition by Maple Group Acquisition Corporation of TMX Group Inc. and The Canadian Depository for Securities Limited, a not-for-profit securities clearing and settlement utility was transformed into a vertically-integrated for-profit clearing agency. The proposed changes would help prevent potential impediments to competition in clearing and settlement to ensure that the markets are fair and efficient, which we think, are proportionate to the costs of establishing a connection with a clearing agency to report trades.

IX. REQUIREMENTS APPLICABLE TO INFORMATION PROCESSORS

Where an information processor is operated as a division or unit of a person or company, proposed subsection 14.4(6.1) would require the person or company to file the income statement, the statement of cash flow and any other information necessary to demonstrate the financial condition for that particular division or unit within 90 days after the end of the financial year of the person or company. Proposed subsection 14.4(7.1) would require the person or company to also file the financial budget relating to the information processor within 30 days after the start of the financial year of the person or company.

Costs

All recognized information processors currently maintain such information and we do not expect that this proposed requirement would give rise to additional costs.

Benefits

These proposed requirements however, would allow regulators to better understand the financial health of the information processor as the current requirement would allow an information processor to file audited financial statement and the budget of its parent company, which may not include sufficient detail to enable regulators to assess the financial viability of the information processor itself.

6.1.2 CSA Notice and Request for Comment – Proposed National Policy 25-201 Guidance for Proxy Advisory Firms

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Notice and Request for Comment
Proposed National Policy 25-201 *Guidance for Proxy Advisory Firms*

April 24, 2014

Introduction

The Canadian Securities Administrators (CSA or we) are publishing for a 60-day comment period proposed National Policy 25-201 *Guidance for Proxy Advisory Firms* (the Proposed Policy).

The text of the Proposed Policy is contained in Annex A of this notice and will also be available on websites of CSA jurisdictions, including:

www.lautorite.qc.ca
www.albertasecurities.com
www.bcsc.bc.ca
www.gov.ns.ca/nssc
www.nbsc-cvmnb.ca
www.osc.gov.on.ca
www.fcaa.sk.ca
www.msc.gov.mb.ca

Substance and purpose

Institutional investors are increasingly engaged in advancing good corporate governance in companies, and one of the ways by which they do so is the exercise of their voting rights. Issuers also rely on proxy voting to approve corporate governance matters or certain transactions. Accordingly, proxy voting is an important feature of our capital markets.

We note that proxy advisory firms play an important role in the voting process by assisting institutional investors in exercising their voting rights at shareholders' meetings. Institutional investors, in making their voting decisions, may use the services of proxy advisory firms in different ways and to varying degrees. Some proxy advisory firms also provide services to issuers, including consulting services on corporate governance matters.

In Canada, the proxy advisory industry is dominated by two firms – Institutional Shareholder Services Inc. and Glass, Lewis & Co.

A number of factors are contributing to the growing demand for the services offered by proxy advisory firms, including enhanced continuous disclosure requirements, the number and complexity of matters to be voted upon by shareholders and the time constraints imposed by the concentrated proxy season in Canada.

In recent years, certain market participants, including issuers, issuer associations and law firms, have raised concerns about the services provided by proxy advisory firms. There is general agreement amongst all market participants of the potential for conflicts of interest which may compromise the independence of services provided by proxy advisory firms. There are also concerns raised by issuers, issuer associations and law firms about the manner in which vote recommendations and proxy voting guidelines, which may have an influence on the voting decisions of institutional investors and the corporate governance practices of issuers, are developed. However, the extent of the actual influence of proxy advisory firms on market behaviour is subject to debate.

The Consultation Paper (as defined below), along with other international initiatives, brought a renewed focus on the activities of proxy advisory firms, with the result that proxy advisory firms are reviewing, and engaging in dialogue with market participants about, their practices to address the concerns raised by market participants.

Based on the comments received and our analysis of the concerns raised, we are of the view that a CSA response is warranted. In our view, there are several areas, and in particular, those relating to conflicts of interest, transparency and accuracy, where a policy-based approach providing guidance on recommended practices and disclosure will (i) promote transparency in the

processes leading to a vote recommendation and the development of proxy voting guidelines; and (ii) foster understanding among market participants about the activities of proxy advisory firms.

Although the Proposed Policy applies to all proxy advisory firms, the guidance is not intended to be prescriptive. Instead, we encourage proxy advisory firms to consider this guidance in developing and implementing their own practices. We also remind proxy advisory firms that this guidance is not intended to be exhaustive and that it does not detract proxy advisory firms from their responsibility to comply with applicable securities law. The Proposed Policy will provide institutional investors or other proxy advisory firms' clients as the legitimate judges with a framework for evaluating the services provided to them by proxy advisory firms.

Background

On June 21, 2012, the CSA published for comment Consultation Paper 25-401 *Potential Regulation of Proxy Advisory Firms* (the Consultation Paper).

The purpose of the consultation was to provide a forum for discussion of certain concerns raised about the services provided by proxy advisory firms and the potential impact on Canadian capital markets and to determine if, and how, these concerns should be addressed by the CSA.

We sought additional information and views to determine whether we needed to address the following concerns identified in the Consultation Paper:

- potential conflicts of interest;
- perceived lack of transparency;
- potential inaccuracies and limited dialogue between proxy advisory firms and issuers;
- potential corporate governance implications; and
- the extent of reliance by institutional investors on the recommendations provided by proxy advisory firms.

The Consultation Paper outlined possible CSA responses and requested feedback.

The comment period ended on September 21, 2012. We received 62 comment letters from various market participants, including issuers, institutional investors, industry associations, proxy advisory firms and law firms. The comments differed among the respective market participant groups.

While issuers generally acknowledged the important role of proxy advisory firms, they seemed concerned about their influence on the voting decisions of institutional investors. Most issuers agreed with each of the concerns identified in the Consultation Paper. Issuer associations and law firms generally shared the issuers' view.

Institutional investors noted that proxy advisory firms provide them with useful and cost effective services when exercising their voting rights. They subscribe to the research reports prepared by proxy advisory firms to inform their voting decisions which, they explained, are based on their own assessment of the proposals and their proxy voting guidelines and do not necessarily follow the vote recommendations of proxy advisory firms. Institutional investors are generally satisfied with the services provided by proxy advisory firms. Associations representing institutional investors generally expressed the same views.

Proxy advisory firms indicated that they have appropriate policies and procedures in place to address the concerns identified in the Consultation Paper. They noted that they are committed to providing objective and accurate services to their clients and have demonstrated a willingness to respond to concerns by voluntarily making changes to some of their processes. Proxy advisory firms do not believe that their activities should be regulated.

The Consultation Paper, along with other international initiatives, brought a renewed focus on the activities of proxy advisory firms. These initiatives include:

- The U.S. Securities and Exchange Commission (the SEC) published for comment on July 14, 2010 its *Concept Release on the U.S. Proxy System* which included a discussion on the concerns raised by market participants about proxy advisory firms. On December 5, 2013, the SEC held the Proxy Advisory Services Roundtable to discuss these concerns;

- The New York Stock Exchange Commission on Corporate Governance carried out a comprehensive review of corporate governance principles and published a report dated September 23, 2010 which sets out recommendations regarding proxy advisory firms;

- The French Autorité des marchés financiers (AMF France) issued AMF *Recommendation No. 2011-06 of 18 March, 2011 on Proxy Advisory Firms.* AMF France recommended standards for proxy advisory firms in order to promote transparency and manage conflicts of interest;

- The European Commission published for comment on April 5, 2011, the *Green Paper: The EU Corporate Governance Framework*, aimed at assessing the need for improvement of corporate governance in European listed companies. On April 9, 2014, the European Commission published *Proposal for a Directive of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement*, which includes proposed amendments designed to enhance the transparency of proxy advisory firms;

- The European Securities and Markets Authority (ESMA) published for comment on March 22, 2012 the *Discussion Paper: An Overview of the Proxy Advisory Industry. Considerations on Possible Policy Options.* ESMA published its *Final Report: Feedback Statement on the Consultation regarding the Role of the Proxy Advisory Industry* on February 19, 2013 and encouraged the proxy advisory industry to develop its own Code of Conduct; and

- The Best Practice Principles for Governance Research Providers Group, formed as a result of the recommendations in ESMA's final report, published for comment on October 28, 2013 *Public Consultation on Best Practice Principles for Governance Research Providers.* Following the consultation, the Group published in March 2014 a set of *Best Practice Principles for Providers of Shareholder Voting Research & Analysis.*

As a result of this renewed focus, proxy advisory firms are reviewing, and engaging in dialogue with market participants about, their practices to address the concerns raised by market participants. In light of the foregoing, we concluded that a policy-based approach providing guidance on recommended practices and disclosure for proxy advisory firms represents a sufficient and meaningful response to address the different perspectives of the respective market participant groups while recognizing the private contractual relationship between proxy advisory firms and their clients. We believe that the best practices recommended by the Proposed Policy are consistent with the recommendations arising from the international initiatives and can be implemented by international proxy advisory firms operating in other jurisdictions.

Summary of the Proposed Policy

The guidance contained in the Proposed Policy is intended to address the areas discussed below.

Conflicts of interest

There is general agreement amongst market participants of the potential for conflicts of interest in the proxy advisory industry. Potential conflicts of interest, including those related to the business model or the ownership structure of a proxy advisory firm, may compromise the independence of services provided by the proxy advisory firm.

We expect proxy advisory firms to identify, manage and mitigate actual or potential conflicts of interest. We suggest certain steps that proxy advisory firms may consider taking to address actual or potential conflicts of interest, including establishing policies and procedures, internal safeguards and controls and a code of conduct. We expect proxy advisory firms to disclose to their clients any actual or potential conflict of interest and to publicly disclose their policies and procedures, internal safeguards and controls and code of conduct. We also encourage proxy advisory firms to evaluate the effectiveness of their processes on a regular basis to ensure that they remain appropriate.

Transparency and accuracy of vote recommendations

Without appropriate disclosure of the processes leading to vote recommendations, market participants may not be able to question or evaluate the quality of the information, research and analysis that underlie the proxy advisory firm's vote recommendations, and to evaluate their merits. Also, potential factual errors or inaccuracies in the proxy advisory firm's reports may lead to misinformed voting decisions by clients.

We expect proxy advisory firms to implement appropriate practices to promote transparency and accuracy of vote recommendations. Proxy advisory firms may consider, among other things, establishing and, where possible and without compromising the proprietary or commercially sensitive nature of information, disclosing policies and procedures describing the approach or methodologies used in the analysis as well as internal safeguards and controls to increase the accuracy and

reliability of the information and data used in the preparation of vote recommendations. We encourage proxy advisory firms to ensure that they have the resources, knowledge and expertise required to perform their duties in the ordinary course of business.

Development of proxy voting guidelines

Because of their potential influence, proxy voting guidelines developed by proxy advisory firms may have an impact on the corporate governance practices of issuers. Market participants agree that proxy advisory firms should avoid a "one-size-fits-all" approach and should ensure that their proxy voting guidelines are tailored to the Canadian context.

To foster understanding among market and industry participants, we encourage proxy advisory firms to establish and, without compromising the proprietary or commercially sensitive nature of information, disclose policies and procedures describing the process followed in developing proxy voting guidelines and to engage with their clients, market participants and the public. We expect proxy advisory firms to publicly disclose their proxy voting guidelines and updates, and encourage proxy advisory firms to explain the rationale for their proxy voting guidelines.

Communications with clients, market participants, the media and the public

Although the services provided by proxy advisory firms are part of a contractual relationship with their clients, these services may have an impact on investors, issuers and the public when their comments or statements are reported in the press or public forums.

We expect proxy advisory firms to consider communicating certain information when issuing their vote recommendations to their clients in their reports, including any actual or potential conflicts of interest, the approach or methodologies used and a description of the extent to which proxy voting guidelines are applied when preparing vote recommendations.

Although it is for proxy advisory firms to determine whether or not to engage with issuers when they prepare vote recommendations and if so, in what manner, we expect proxy advisory firms to publicly disclose their approach to any dialogue or contact with issuers.

We expect proxy advisory firms to publicly disclose their policies and procedures governing their communications with clients, market participants, the media and the public.

Corporate governance practices

Some issuers, issuer associations and law firms have raised concerns that proxy advisory firms may have become de facto corporate governance standard setters and that, as a result, issuers are compelled to adopt certain "one-size-fits-all" standards which may not be entirely suitable for their specific circumstances.

We wish to remind issuers that they may engage with their shareholders, who have the ultimately responsibility of determining how to exercise their right to vote, to explain why they have adopted a given corporate governance practice. Where appropriate, issuers may discuss corporate governance and proxy voting matters with institutional investors to address their concerns. If issuers have practices that are different from the standards set out in the proxy advisory firms' proxy voting guidelines, these practices can be discussed with institutional investors.

The information circular is the primary means for issuers to communicate their corporate governance practices to their shareholders. An issuer can include in its information circular a comprehensive discussion of its approach to corporate governance, including the practices of the board of directors and the issuer's executive compensation programs.

Issuers may also choose to participate in consultations organized by proxy advisory firms and to communicate their views on corporate governance issues and proxy voting guidelines. Such contacts may help both parties to better understand each other's positions.

Remarks on Proposed Policy

We recognize that proxy advisory firms have demonstrated a willingness to respond to the concerns raised in the Proposed Policy and have brought changes to some of their practices. We intend to continue monitoring market developments in the proxy advisory industry to evaluate if the Proposed Policy addresses the Canadian marketplace's concerns.

Request for comments

We would appreciate feedback on the Proposed Policy generally, as well as on the following questions:

1. Do you agree with the recommended practices for proxy advisory firms? Please explain.

2. Are there any material concerns with proxy advisory firms that are not covered in the Proposed Policy? Please explain.

3. Will the Proposed Policy promote meaningful disclosure to the proxy advisory firms' clients, market participants and the public? If not, what additional information should be disclosed?

4. We encourage proxy advisory firms to consider designating a person to assist with addressing conflicts of interest. Should we also encourage proxy advisory firms to have the person assist with addressing determination of vote recommendations, development of proxy voting guidelines and communication matters?

5. We expect proxy advisory firms to disclose their approach regarding dialogue or contact with issuers when they prepare vote recommendations. Should we also encourage proxy advisory firms to engage with issuers during this process? If so, what should be the objectives and format of such engagement?

6. A proxy advisory firm may provide automatic vote services to a client based on the proxy advisory firm's proxy voting guidelines. Should we encourage proxy advisory firms to consider obtaining confirmation that the client has reviewed and agreed with the proxy advisory firm's proxy voting guidelines leading to vote recommendations? If so, should we encourage proxy advisory firms to consider obtaining such confirmation annually and following any amendments to the proxy advisory firm's proxy voting guidelines?

We welcome your comments on the Proposed Policy and feedback on the specific questions we have posed.

Please note that comments received will be made publicly available and posted on the website of the Ontario Securities Commission at www.osc.gov.on.ca and on the website of the Autorité des marchés financiers at www.lautorite.qc.ca and may be posted on the websites of certain other securities regulatory authorities. Therefore, you should not include personal information directly in comments to be published. It is important that you state on whose behalf you are making the submission.

Please provide your comments in writing by June 23, 2014. Please provide your comments in Microsoft Word.

Please address your submission to all members of the CSA as follows:

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
The Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission of New Brunswick
Superintendent of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Superintendent of Securities, Yukon Territory
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Nunavut

Please deliver your comments only to the addresses that follow. Your comments will be distributed to the other CSA member jurisdictions.

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3
Fax: 514-864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

The Secretary
Ontario Securities Commission
20 Queen Street West
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E-mail: comments@osc.gov.on.ca

Questions

Please refer your questions to any of the following:

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Ontario Securities Commission
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Deputy Director, Mergers &
Acquisitions, Corporate Finance
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Ontario Securities Commission
Laura Lam
Legal Counsel, Mergers & Acquisitions,
Corporate Finance
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llam@osc.gov.on.ca

Alberta Securities Commission
Sophia Mapara
Legal Counsel
403-297-2520 1-877-355-0585
sophia.mapara@asc.ca

ANNEX A

PROPOSED NATIONAL POLICY 25-201 *GUIDANCE FOR PROXY ADVISORY FIRMS*

Part 1 Purpose and application

1.1 Purpose of this Policy

The Canadian Securities Administrators (CSA or we) recognize that proxy voting, which provides a means for investors and issuers to engage in dialogue about matters concerning the issuer, is integral in maintaining confidence in our capital markets.

We acknowledge that proxy advisory firms play an important role in the proxy voting process by providing services that facilitate investor participation in the voting process such as analyzing proxy materials and providing vote recommendations. Some proxy advisory firms also provide other types of services to issuers, including consulting services on corporate governance matters.

The purpose of this Policy is to set out recommended practices for proxy advisory firms in relation to the services they provide to their clients and their activities. This Policy provides guidance to proxy advisory firms designed to:

(a) promote transparency in the processes leading to a vote recommendation and the development of proxy voting guidelines; and

(b) foster understanding among market participants about the activities of proxy advisory firms.

The guidance addresses conflicts of interest, the determination of vote recommendations, the development of proxy voting guidelines and communications with clients, market participants, the media and the public.

The guidance in this Policy is not intended to be prescriptive or exhaustive.

The CSA encourage proxy advisory firms to consider this guidance in developing and implementing practices that are tailored to their structure and activities.

1.2 Application

This Policy is designed to assist all firms that provide proxy advisory services. Proxy advisory services include any of the following:

(a) analyzing the matters put to a vote at a shareholders' meeting;

(b) making vote recommendations; and

(c) developing proxy voting guidelines.

Although some proxy advisory firms may provide other types of services, this Policy addresses processes that lead to vote recommendations and proxy voting guidelines determined or developed by proxy advisory firms.

Part 2 Guidance

2.1 Conflicts of interest

(1) Effective identification, management and mitigation of actual or potential conflicts of interest are essential in ensuring the ability of the proxy advisory firm to offer independent and objective services to a client.

(2) A conflict of interest exists where the interests of a proxy advisory firm are or may be perceived to be inconsistent with, or diverge from, those of a client. A conflict might also arise between the interests of one group of clients and another. By way of example, a conflict of interest exists in any of the following circumstances:

(a) a proxy advisory firm provides vote recommendations to an investor client on corporate governance matters of an issuer to which the proxy advisory firm provided consulting services;

(b) an investor client of a proxy advisory firm submits a shareholder proposal to be put to a vote at a shareholders' meeting that could be the subject of a favourable vote recommendation by the proxy advisory firm; and

(c) a proxy advisory firm is owned, in whole or in part, by an investor client who invests in issuers in relation to which the proxy advisory firm is or has been mandated to make vote recommendations.

(3) Proxy advisory firms may address actual or potential conflicts of interest by implementing appropriate practices. Proxy advisory firms may consider taking the following steps to address actual or potential conflicts of interest:

(a) establishing, maintaining and applying written policies and procedures designed to identify, manage and mitigate actual or potential conflicts of interest that could influence their research and analysis, vote recommendations or proxy voting guidelines;

(b) designing and implementing internal safeguards and controls designed to monitor the effectiveness of the policies and procedures, including organizational structures, lines of reporting and information barriers, to mitigate actual or potential conflicts of interest;

(c) establishing, maintaining and complying with a code of conduct that sets standards of behaviour and practices for the proxy advisory firm, including individuals acting on its behalf, which incorporates guidance to promote the independence of the proxy voting process, including guidance that is intended to prevent individuals acting on behalf of the proxy advisory firm from benefiting on the basis of material, non-public information available to the proxy advisory firm;

(d) obtaining affirmation of the code of conduct from all individuals acting on their behalf upon hiring and on an annual basis thereafter and providing related training on a regular basis; and

(e) evaluating the effectiveness of their policies and procedures, internal safeguards and controls and code of conduct on a regular basis to ensure that they remain appropriate and effective.

(4) The chief executive officer and the board of directors (or equivalent body) of a proxy advisory firm are generally expected to be responsible for:

(a) setting and preserving a culture of compliance respecting conflicts of interest; and

(b) endorsing the policies and procedures and the code of conduct adopted to address actual or potential conflict of interest situations and ensuring that the individuals acting on behalf of the proxy advisory firm are made aware of its policies and procedures and code of conduct.

(5) To assist with addressing actual or potential conflicts of interest, proxy advisory firms may wish to consider designating an appropriately qualified person who would be responsible, among other things, for:

(a) monitoring and assessing compliance by the proxy advisory firm, and individuals acting on its behalf, with its policies and procedures and code of conduct;

(b) assessing the appropriateness of the internal safeguards and controls adopted by the proxy advisory firm and monitoring conflicts of interest identification and management; and

(c) periodically reporting on his or her activities to the chief executive officer and the board of directors of the proxy advisory firm or any equivalent body.

(6) We expect proxy advisory firms to disclose to their clients, in a timely manner, any actual or potential conflict of interest between the proxy advisory firm and the client and to provide sufficient information to enable the client to understand the nature and substance of the conflict.

(7) Where possible and without compromising the proprietary or commercially sensitive nature of information, we expect proxy advisory firms to post or describe on their website their policies and procedures, internal safeguards and controls, code of conduct and compliance program respecting conflicts of interest, including any related amendments.

2.2 Transparency and accuracy of vote recommendations

(1) It is important for market participants to understand how proxy advisory firms arrive at a specific vote recommendation and to assess the quality of the research and analysis behind such a recommendation. Proxy advisory firms can facilitate this by ensuring that vote recommendations are determined in a transparent manner and that the information underlying those recommendations is accurate.

(2) We expect proxy advisory firms to ensure that:

(a) vote recommendations are determined in a consistent manner in accordance with the proxy voting guidelines of the proxy advisory firm or the proxy voting guidelines of the clients;

(b) vote recommendations are determined based on up-to-date publicly available information about the issuer; and

(c) vote recommendations are prepared in accordance with an approach or methodologies aimed at, amongst other things, reducing the risk of factual errors or inaccuracies.

(3) Proxy advisory firms may consider taking the following steps when determining vote recommendations:

(a) establishing, maintaining and applying written policies and procedures describing the approach or methodologies used to prepare vote recommendations, such as research, information and data gathering, benchmarks, sources of information from third parties, local market or regulatory conditions, criteria, analytical models and assumptions, and the relative weight of these elements in preparing vote recommendations;

(b) designing and implementing internal safeguards and controls to increase the accuracy and reliability of the information and data used in the preparation of vote recommendations. We encourage proxy advisory firms to have in place a quality assurance process to review vote recommendations before they are provided to clients, including verifying the accuracy of information and data used and reviewing the research and analysis performed by individuals acting on their behalf; and

(c) evaluating the effectiveness of their policies and procedures as well as internal safeguards and controls on a regular basis to ensure that they remain appropriate and effective.

(4) We encourage proxy advisory firms to have the resources, knowledge and expertise required to prepare rigorous and credible vote recommendations. This includes hiring and retaining individuals that have the particular experience, competencies, skills and training required to perform their duties on behalf of the proxy advisory firm in the ordinary course of business.

(5) Where possible and without compromising the proprietary or commercially sensitive nature of information, we expect proxy advisory firms to post or describe on their website their policies and procedures as well as internal safeguards and controls leading to vote recommendations, including any related amendments.

2.3 Development of proxy voting guidelines

(1) It is good practice for proxy advisory firms to ensure that their proxy voting guidelines, which may have an influence on corporate governance practices of issuers, are developed in a consultative and comprehensive manner. This promotes a clearer and more complete understanding of the proxy voting guidelines and their underlying rationale and enables market participants to evaluate the applicability of the proxy voting guidelines to the corporate governance practices of issuers.

(2) Proxy advisory firms may consider the following when developing proxy voting guidelines:

(a) establishing, maintaining and applying written policies and procedures describing the process followed in developing and updating proxy voting guidelines, such as identification of standards and practices, policy formulation and approval, implementation and evaluation of proxy voting guidelines;

(b) regularly consulting with and considering the preferences and views of their clients, market participants and the public on corporate governance issues and on their proxy voting guidelines; and

(c) taking into account local market or regulatory conditions.

(3) We encourage proxy advisory firms to ensure that they have the resources, knowledge and expertise required to develop and update appropriate proxy voting guidelines. This includes hiring and retaining individuals that have the particular experience, competencies, skills and training required to perform their duties on behalf of the proxy advisory firm in the ordinary course of business.

(4) Without compromising the proprietary or commercially sensitive nature of information, we expect proxy advisory firms to post on their website their proxy voting guidelines and any updates to them. We encourage proxy advisory firms to explain the rationale for their proxy voting guidelines and to provide any other relevant information which could contribute to understanding the reasons behind the proxy voting guidelines and any updates to them.

(5) Where possible and without compromising the proprietary or commercially sensitive nature of information, we expect proxy advisory firms to post or describe on their website their policies and procedures and consultations leading to the development of proxy voting guidelines, including any related amendments.

2.4 Communications with clients, market participants, the media and the public

(1) It is good practice for proxy advisory firms to properly manage their communications with clients, market participants, the media and the public to foster understanding of the activities of proxy advisory firms.

(2) When issuing its vote recommendations, we expect proxy advisory firms to also communicate all of the following information to their clients in their reports:

(a) any actual or potential conflicts of interest arising from the vote recommendations;

(b) the approach or methodologies used, the factors considered and the weight of these factors in determining the vote recommendations;

(c) the identification of the information that is factual and the information that comes from analytical models and assumptions, and their reasons for the vote recommendations;

(d) a description of the extent to which proxy voting guidelines are used or applied when preparing vote recommendations and the reasons for any deviation from the proxy voting guidelines;

(e) where applicable, the nature and outcome of any dialogue or contact with an issuer in the preparation of the vote recommendations;

(f) any known or potential limitations or conditions in the research and analysis used to prepare the vote recommendations; and

(g) a statement that the vote recommendations and the underlying research and analysis are intended solely as guidance to assist the clients in their decision making process.

(3) We expect proxy advisory firms to post or describe on their website their policies and procedures regarding dialogue or contact with issuers when they prepare vote recommendations, including whether they provide drafts of reports to the issuers for review and comment before sending the final reports to their clients.

(4) We expect proxy advisory firms to correct any factual error or inaccuracy found in a report and to duly inform their clients in a timely manner. We also encourage proxy advisory firms to duly inform their clients of any report updates or revisions to reflect new publicly available information about an issuer in a timely manner.

(5) We encourage proxy advisory firms to establish, maintain and apply written policies and procedures governing their communications with clients, market participants, the media and the public, including in relation to the preparation or release of any vote recommendation.

(6) We encourage proxy advisory firms to establish a contact person to manage communications with clients, market participants, the media and the public, including any questions, concerns or complaints that the proxy advisory firm may receive.

(7) Where possible and without compromising the proprietary or commercially sensitive nature of information, we expect proxy advisory firms to post or describe on their website their policies and procedures governing their communications, including any related amendments.

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 SecuritiesSource (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 45-16F1 AND 45-501F1

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
01/31/2014	71	ACM Commercial Mortgage Fund - Units	16,643,324.93	148,409.38
11/04/2013	1	AllianceBernstein Global Style Blend (CAD Half-Hedged) Fund - Units	218,950.00	10,481.09
01/21/2014	2	Alothon Fund III L.P. - Limited Partnership Interest	31,607,799.88	N/A
01/02/2013 to 12/31/2013	544	Barometer Tactical Exchange Traded Fund Pool - Trust Units	11,473,574.91	1,094,500.38
01/26/2013 to 10/15/2013	1	CIF Global High Income Opportunities Fund - Common Shares	216,362.40	8,316.47
01/02/2013 to 10/01/2013	5	DEADIS Capital LP - Units	2,466,078.64	N/A
01/09/2014 to 01/17/2014	97	Fisgard Capital Corporation - Common Shares	349,562.93	N/A
01/31/2014	116	Ginkgo Mortgage Investment Corporation - Preferred Shares	1,558,588.69	155,858.87
01/25/2013 to 12/31/2013	99	KFA Balanced Pooled Fund - Units	10,062,883.00	757,080.24
01/01/2013 to 12/31/2013	1	Morgan Stanley HedgePremier Pars Offshore Fund Ltd. - Units	308,730.00	276.25
01/01/2013 to 12/31/2013	1	Morgan Stanley HedgePremier/Discovery Partners Offshore Fund Ltd. - Units	154,365.00	113.54
01/01/2013 to 12/31/2013	1	Morgan Stanley HedgePremier/Ivory Flagship Fund Ltd. - Units	154,365.00	135.39
01/31/2013 to 12/31/2013	98	NWM Alternative Strategies Fund - Units	15,105,541.22	N/A
05/01/2013 to 11/01/2013	3	OZ Overseas Fund II Ltd. - Common Shares	16,432,950.30	N/A
01/01/2013 to 12/31/2013	217	Pacifica Partners Tactical Balanced Fund - Trust Units	4,242,977.73	N/A
01/02/2013 to 12/31/2013	6	Sanford C. Bernstein Core Plus Bond Fund - Units	32,966,793.88	1,083,146.41
01/30/2013 to 12/31/2013	2	Sanford C. Bernstein International Value Equity (Cap-Weighted, Unhedged) Fund - Units	3,031,829.47	152,047,134.00
01/01/2013 to 12/31/2013	5	Scheer, Rowlett & Associates Balanced Fund - Trust Units	20,536,745.13	1,763,644.74
01/01/2013 to 12/31/2013	3	Scheer, Rowlett & Associates Bond Fund - Trust Units	12,206,161.59	1,226,315.17

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
01/01/2013 to 12/31/2013	14	Scheer, Rowlett & Associates Canadian Equity Fund - Trust Units	113,244,248.86	7,862,538.33
01/01/2013 to 12/31/2013	4	Scheer, Rowlett & Associates EAFE Fund - Trust Units	3,211,951.69	376,440.04
01/01/2013 to 12/31/2013	2	Scheer, Rowlett & Associates Money Market Fund - Trust Units	3,268,154.39	326,815.44
01/01/2013 to 12/31/2013	3	Scheer, Rowlett & Associates US Equity Fund - Trust Units	2,709,556.29	324,968.44
05/01/2013	1	Silver Point Capital Offshore Fund Ltd. - Units	3,318,600.00	234.00
01/31/2013 to 10/31/2013	99	Sprott Absolute Return Income Fund - Trust Units	23,727,600.93	N/A
01/31/2013 to 12/31/2013	19	Sprott Bull/Bear RSP Fund - Trust Units	4,345,520.00	N/A
01/31/2013	12	Sprott Convertible Strategies Trust - Trust Units	2,069,205.45	N/A
01/31/2013 to 12/31/2013	46	Sprott Enhanced Long/Short Equity Fund LP - Limited Partnership Units	3,897,945.62	N/A
01/31/2013 to 12/31/2013	47	Sprott Enhanced Long/Short Equity RSP Fund - Trust Units	1,768,080.66	N/A
03/31/2013 to 12/31/2013	3	Sprott Hedge Fund LP - Units	30,443,570.67	1,057,296.57
01/31/2013 to 12/31/2013	66	Sprott Hedge Fund LP II - Limited Partnership Units	31,886,035.12	N/A
01/31/2013 to 11/29/2013	754	Sprott Private Credit Trust - Trust Units	100,759,710.81	N/A
11/29/2013	1	Sprott Small Cap Hedge Fund - Trust Units	250,000.00	20,305.88
01/31/2014	1	SPX Fund Segregated Portfolio Canadian Eagle - Common Shares	250,605,000.00	N/A
01/01/2013 to 12/31/2013	1	SRA/PCJ Canadian Equity Core Fund - Trust Units	6,049,958.39	766,811.94
01/02/2013 to 09/09/2013	3	Takota Premium Value Partnership LP (formerly, Premium Value Partnership LP) - Limited Partnership Units	46,908.39	99.73
01/01/2013 to 12/31/2013	2	Templeton China Opportunities Fund - Common Shares	30,418.93	2,462.24
01/25/2013 to 05/05/2013	17	Tera High Income Fund - Units	157,826.36	13,786.80
05/13/2013 to 11/27/2013	2	Tobam Anti Benchmark Emerging Markets (Fr.) - Units	138,565,748.33	13,728.04
01/02/2013 to 12/02/2013	1	Triumph Aggressive Opportunities Fund LP - Limited Partnership Units	17,991.50	1.99
01/02/2013 to 12/02/2013	13	Triumph Aggressive Opportunities Fund Trust - Trust Units	47,076.93	8,972.95

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
01/02/2013 to 12/02/2013	115	Triumph Base Metals Advantage Fund - Trust Units	461,855.85	59,915.53
01/02/2013 to 12/02/2013	15	Triumph Capital Appreciation LP - Limited Partnership Units	5,607,262.24	8,757.26
01/02/2013 to 12/02/2013	31	Triumph Capital Appreciation Trust - Trust Units	1,261,271.58	176,861.80
01/24/2014	3	VSS Communications Parallel Partners IV, L.P. - Limited Partnership Interest	1,755,324.00	N/A

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Agrium Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Shelf Prospectus dated April 15, 2014
NP 11-202 Receipt dated April 15, 2014
Offering Price and Description:
U.S.$2,500,000,000.00
Common Shares
Preferred Shares
Subscription Receipts
Debt Securities
Units
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2193590

Issuer Name:
Australian REIT Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 17, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
Warrants to Subscribe for up to * Class A Units and Class F Units
Price: $ * per Class A and Class F Unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
Harvest Portfolio Group Inc.
Project #2194697

Issuer Name:
Copernican International Premium Dividend Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated April 17, 2014
NP 11-202 Receipt dated April 21, 2014
Offering Price and Description:
Series A, Series A2, Series, Series F and Series G Units
Underwriter(s) or Distributor(s):
Mandeville Private Client Inc.
Mandeville Wealth Services Inc.
Mandeville Private Client Inc.
Portland Private Wealth Services Inc.
Promoter(s):
Portland Investment Counsel Inc.
Project #2194831

Issuer Name:
IA Clarington Core Plus Bond Fund
IA Clarington Focused U.S. Equity Class
Principal Regulator - Quebec
Type and Date:
Preliminary Simplified Prospectuses dated April 9, 2014
NP 11-202 Receipt dated April 15, 2014
Offering Price and Description:
Series A, F, F4, F5, I, L, L4, L5, O, T4 and T5 Units or Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
IA Clarington Investments Inc.
Project #2193360

Issuer Name:
HealthLease Properties Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 21, 2014
NP 11-202 Receipt dated April 21, 2014
Offering Price and Description:
$70,000,000.00 - 7,000,000 Units
Price: $10.00 per Offered Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Canaccord Genuity Corp.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
Dundee Securities Ltd.
Raymond James Ltd.
Euro Pacific Canada Inc.
Promoter(s):
-
Project #2193919

Issuer Name:
Marlin Gold Mining Ltd.
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated April 17, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
$10,000,000.00 - 100,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
CORMARK SECURITIES INC.
DUNDEE SECURITIES LTD.
M PARTNERS INC.
PI FINANCIAL CORP.
JACOB SECURITIES INC.
TEMPEST CAPITAL CORP.
Promoter(s):
-
Project #2189414

Issuer Name:
Marquee Energy Ltd.
Principal Regulator – Alberta
Type and Date:
Preliminary Short Form Prospectus dated April 16, 2014
NP 11-202 Receipt dated April 16, 2014
Offering Price and Description:
$17,500,210.00 - 19,231,000 Common Shares
Price: $0.91 Per Offered Share
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Haywood Securities Inc.
Acumen Capital Finance Partners Limited
Peters & Co. Limited
Canaccord Genuity Corp.
FirstEnergy Capital Corp.
Promoter(s):
-
Project #2194315

Issuer Name:
Neovasc Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Base Shelf Prospectus dated April 17, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
U.S. $200,000,000.00
Common Shares
Preferred Shares
Debt Securities
Subscription Receipts
Units
Warrants
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2194883

Issuer Name:
North American REIT Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 14, 2014
NP 11-202 Receipt dated April 15, 2014
Offering Price and Description:
Warrants to Subscribe for up to * Units
Price: $ * per Unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
Propel Capital Corporation
Project #2193157

Issuer Name:
Skyline International Development Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Non-Offering Prospectus dated April 15, 2014
Receipted on April 16, 2014
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2194002

Issuer Name:
Sprott Physical Platinum and Palladium Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Base Shelf Prospectus dated April 16, 2014
NP 11-202 Receipt dated April 16, 2014
Offering Price and Description:
U.S.$1,500,000,000.00 - Trust Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Sprott Asset Management LP
Project #2194143

Issuer Name:
Teranga Gold Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 16, 2014
NP 11-202 Receipt dated April 16, 2014
Offering Price and Description:
$29,880,000.00 - 36,000,000 Common Shares
Price: $0.83 per Offered Share
Underwriter(s) or Distributor(s):
Cormark Securities Inc.
MacQuarie Capital Markets Canada Ltd.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
Canaccord Genuity Corp.
Desjardins Securities Inc.
Jennings Capital Inc.
Promoter(s):
-
Project #2192215

Issuer Name:
theScore, Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated April 21, 2014
NP 11-202 Receipt dated April 21, 2014
Offering Price and Description:
$7,920,000.00 - 26,400,000 Class A Subordinate Voting Shares
Price: $0.30 per Offered Share
Underwriter(s) or Distributor(s):
Beacon Securities Limited
Canaccord Genuity Corp.
Promoter(s):
-
Project #2195302

Issuer Name:
BNP Paribas Global Equity Exposure Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated April 4, 2014
NP 11-202 Receipt dated April 16, 2014
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
BNP Paribas Investment Partners Canada Ltd.
BNP Paribas Investment Partners Canada Ltd.
Promoter(s):
BNP Paribas Investment Partners Canada Ltd.
Project #2167304

Issuer Name:
Callidus Capital Corporation
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated April 15, 2014
NP 11-202 Receipt dated April 15, 2014
Offering Price and Description:
$252,000,000.00 - 18,000,000 Common Shares
Price: $ 14.00 per Offered Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
CIBC WORLD MARKETS INC.
TD SECURITIES INC.
NATIONAL BANK FINANCIAL INC.
GMP SECURITIES L.P.
DESJARDINS SECURITIES INC.
DUNDEE SECURITIES LTD.
Promoter(s):
-
Project #2175482

Issuer Name:
Global Iman Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated April 3, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
Series A and F Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2167877

Issuer Name:
Horizons Cdn Select Universe Bond ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated April 10, 2014
NP 11-202 Receipt dated April 15, 2014
Offering Price and Description:
Class A units @ net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Horizons ETFs Management (Canada) Inc.
Project #2160163

Issuer Name:
Horizons S&P 500® Index ETF (formerly Horizons S&P 500® Index (C$ Hedged) ETF)
Horizons S&P/TSX 60 Index ETF
Horizons S&P/TSX Capped Energy Index ETF
Horizons S&P/TSX Capped Financials Index ETF
Principal Regulator - Ontario
Type and Date:
Amended and Restated Final Long Form Prospectus dated April 10, 2014 Amending and Restating the Long Form Prospectus dated August 27, 2013
NP 11-202 Receipt dated April 15, 2014
Offering Price and Description:
Class A units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Horizons ETFs Management (Canada) Inc.
Project #2086781

Issuer Name:
Knight Therapeutics Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated April 17, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
$75,000,030.00 - 21,428,580 Common Shares Issuable upon Exercise of 21,428,580 Outstanding Special Warrants
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Cormark Securities Inc.
Promoter(s):
Jonathan Ross Goodman
Project #2192071

Issuer Name:
Knight Therapeutics Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus (NI 44-101) dated April 17, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
$180,075,000.00 - 34,300,000 Common Shares Issuable upon Exercise of 34,300,000 Outstanding Special Warrants
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Cormark Securities Inc.
Promoter(s):
Jonathan Ross Goodman
Project #2192110

Issuer Name:
Northland Power Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Shelf Prospectus dated April 17, 2014
NP 11-202 Receipt dated April 21, 2014
Offering Price and Description:
Common Shares
Preferred Shares
Debentures (unsecured)
Subscription Receipts
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2192362

Issuer Name:
PowerShares 1-5 Year Laddered Investment Grade Corporate Bond Index ETF
PowerShares Canadian Dividend Index ETF
PowerShares Canadian Preferred Share Index ETF
PowerShares FTSE RAFI Canadian Fundamental Index ETF
PowerShares FTSE RAFI US Fundamental (CAD Hedged) Index ETF
PowerShares Fundamental High Yield Corporate Bond (CAD Hedged) Index ETF
PowerShares QQQ (CAD Hedged) Index ETF
Powershares S&P 500 High Beta (CAD Hedged) Index ETF
PowerShares S&P 500 Low Volatility (CAD Hedged) Index ETF
PowerShares S&P/TSX Composite High Beta Index ETF
PowerShares S&P/TSX Composite Low Volatility Index ETF
PowerShares Senior Loan (CAD Hedged) Index ETF
PowerShares Ultra Liquid Long Term Government Bond Index ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated April 16, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
Exchange traded fund at net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2166958

Issuer Name:
PowerShares Tactical Bond ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated April 16, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
Exchange traded fund at net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2166965

Issuer Name:
RBC Global Equity Focus Fund
RBC International Equity Currency Neutral Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated April 16, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
RBC Global Asset Management Inc.
Royal Mutual Funds Inc.
RBC Direct Investing Inc.
RBC Global Asset Management Inc.
Promoter(s):
RBC Global Asset Management Inc.
Project #2177553

Issuer Name:
Red Pine Exploration Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated April 14, 2014
NP 11-202 Receipt dated April 15, 2014
Offering Price and Description:
Minimum Offering: $1,500,000.00; Maximum Offering: $3,000,000.00
Up to 30,000,000 Units
Up to 27,272,727 Flow-Through Units
Price: $0.05 per Unit; and $0.055 per FT Unit
Underwriter(s) or Distributor(s):
SECUTOR CAPITAL MANAGEMENT CORPORATION
Promoter(s):
-
Project #2184674

Issuer Name:
Richmont Mines Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated April 16, 2014
NP 11-202 Receipt dated April 16, 2014
Offering Price and Description:
$10,150,000.00 - 7,000,000 Common Shares
Price: $1.45 per Offered Share
Underwriter(s) or Distributor(s):
Macquarie Capital Markets Canada Ltd.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
Desjardins Securities Inc.
Promoter(s):
-
Project #2189882

Issuer Name:
Sprott Enhanced Balanced Class
Sprott Enhanced Balanced Fund
Sprott Enhanced Equity Class
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated April 15, 2014
NP 11-202 Receipt dated April 16, 2014
Offering Price and Description:
Series A, Series T, Series F, Series FT and Series I Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2172946

Issuer Name:
The Descartes Systems Group Inc.
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated April 16, 2014
NP 11-202 Receipt dated April 17, 2014
Offering Price and Description:
US$250,000,000.00
Common Shares
Preferred Shares
Debt Securities
Subscription Receipts
Warrants
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2191996

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Business Registration	Invescap SÀRL	Exempt Market Dealer	April 14, 2014
Consent to Suspension (Pending Surrender)	Castor Asset Management Ltd.	Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	April 21, 2014

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Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 OSC Staff Notice of Request for Comment – IIROC – Proposed Personal Financial Dealing Amendments

OSC STAFF NOTICE OF REQUEST FOR COMMENT

THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

PROPOSED PERSONAL FINANCIAL DEALING AMENDMENTS

On March 26, 2014, the Board of Directors of the Investment Industry Regulatory Organization of Canada ("IIROC") approved the publication for amendments to the Personal Financial Dealing Rule and proposed amendments to Dealer Member Rule 100.15. IIROC is publishing for public comment proposed amendments to clarify the application of rules relating to personal financial dealing with clients. In light of the proposed amendments, the deadline date for the unwinding of existing trustee, executorship, power of attorney or similar arrangements is extended to June 13, 2015.

A copy of the IIROC Notice including the amended Proposed Rule is published on our website at www.osc.gov.on.ca.

13.1.2 OSC Staff Notice of Request for Comment – IIROC – Amendments to Dealer Member Rules 1, 2500, 2700, 3200 and Universal Market Integrity Rule 6.2

OSC STAFF NOTICE OF REQUEST FOR COMMENT

THE INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)

AMENDMENTS TO DEALER MEMBER RULE 1, 2500, 2700, 3200 AND UNIVERSAL MARKET INTEGRITY RULE 6.2

IIROC is publishing for public comment proposed amendments to Dealer Member Rules 1, 2500, 2700, 3200 and Universal Market Integrity Rule 6.2. The proposed amendments respecting Order Execution Services address supervision and compliance requirements that would ensure that similar activity that occurs through different forms of third-party electronic access is subject to the same degree of supervision and regulatory oversight. A copy of the IIROC Notice was also published on our website at http://www.osc.gov.on.ca.

Chapter 25

Other Information

25.1 Permissions

25.1.1 Matthew Lippa and SFS Holding AG

Headnote

Filer granted permission from the Director, pursuant to s. 38(3) of the Securities Act (Ontario), to make listing representations in its offering documents to the effect that the filer intends to make application to SIX Swiss Exchange AG (the SIX) in Switzerland for its Ordinary Shares to be admitted to trading on the SIX.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 38(3).

April 3, 2014

Norton Rose Fulbright Canada LLP
200 Bay Street, Suite 3800
Royal Bank Plaza, South Tower
Toronto, Ontario
M5J 2Z4

Attention: Mr. Matthew Lippa

Re: SFS Holding AG (the Corporation)

Application for Permission under s. 38(3) of the *Securities Act* (Ontario).

Pursuant to an application dated March 28, 2014 (the **Application**), SFS Holding AG applied for permission to include in its Canadian Offering Memorandum (as defined below) representations that application has been or will be made to list its ordinary registered shares (the **Ordinary Shares**) offered in Ontario under that document on the SIX Swiss Exchange AG (the **SIX**). The Filer has represented that:

1 The Corporation is a joint stock corporation (Aktiengesellschaft) organized under Swiss law with its registered office at Rosenbergsaustrasse 20, 9435 Heerbrugg, Switzerland.

2 The Corporation intends to change its name to SFS Group AG prior to the Capital Raise (as defined below).

3 The Corporation is currently not a reporting issuer or the equivalent under the securities legislation of any province or territory of Canada.

4 The Ordinary Shares are a new issuance by the Corporation and are not currently listed on any stock exchange or quotation system.

5 The Corporation will apply for the Ordinary Shares to be admitted to trading on the SIX.

6 The Corporation is proposing to issue Ordinary Shares by way of an initial public offering (the **Capital Raise**). The Capital Raise is being made by way of offering and listing memorandum prepared in accordance with the listing rules of the SIX (the **Offering Document**) in Switzerland and certain other jurisdictions where the extension or availability of the Capital Raise would not breach any applicable law.

7 The Corporation is under the understanding that the SIX will not grant approval to the listing prior to the distribution of the Canadian Offering Memorandum (as defined below), nor provide the Corporation with written confirmation indicating that it does not object to the Listing Representations or that it consents to the Listing Representations.

8 It is contemplated that the Capital Raise will be made by way of the Private Placement in the Canadian provinces of Ontario and Quebec.

9 The Canadian placement agent(s) for the Capital Raise will rely on appropriate exemptions from the prospectus requirements, and will either rely on the “international dealer” exemption to the registration requirements, or will be appropriately registered under the *Securities Act* (Ontario), when distributing securities to residents of Ontario.

10 Prospective investors in Ontario and Quebec will be "Accredited Investors" in accordance with National Instrument 45-106 *Prospectus and Registration Exemptions* and "Permitted Clients" in accordance with National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

11 In connection with the Private Placement, prospective investors in Ontario and Quebec may be provided with an offering memorandum (the **Canadian Offering Memorandum**) that incorporates the Offering Document.

12 The Canadian Offering Memorandum will contain one or more representations identical or substantially similar to the following (the **Listing Representations**):

“The Corporation intends to make and/or has made application to the SIX for the Ordinary Shares to be admitted to the SIX.”

Based upon the representations above and the representations contained in the Application, permission is hereby granted pursuant to subsection 38(3) of the *Securities Act* (Ontario) to include Listing Representations in the Canadian Offering Memorandum that may be provided or made available to prospective investors in Ontario.

"Shannon O'Hearn"
Manager, Corporate Finance Branch
Ontario Securities Commission

Index