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1.1 Notices

1.1.1 OSC Staff Notice 33-745 – Compliance and Registrant Regulation – Annual Summary Report for Dealers, Advisers and Investment Fund Managers

OSC Staff Notice 33-745 – *Compliance and Registrant Regulation – Annual Summary Report for Dealers, Advisers and Investment Fund Managers* is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Staff Notice.

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OSC

ONTARIO SECURITIES COMMISSION

Annual Summary Report for Dealers, Advisers and Investment Fund Managers

Compliance and Registrant Regulation

OSC Staff Notice 33-745

September 25, 2014

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DIRECTOR'S MESSAGE

The Ontario Securities Commission (OSC) expects strong compliance by registrants and articulates its expectations through its oversight, guidance and outreach. Registrants have an obligation to deal fairly, honestly and in good faith with their clients so they can invest with confidence, which is essential to the integrity of the capital markets of Ontario.

To assist registrants with meeting their regulatory obligations, the OSC's Compliance and Registrant Regulation Branch (CRR) has focused its efforts on enhancing communication with registrants and providing tools to assist them with maintaining effective compliance systems. We launched a new Registrant Outreach Program in September, 2013 with the objective of opening the lines of communication between registrants and CRR and creating a central repository of tools and information that will assist registrants in maintaining effective compliance systems. Since the launch of the program, more than 2,000 people have attended educational seminars either in-person or via webinar and the feedback has been overwhelmingly positive. As we continue to add more resources to the Registrant Outreach Program, we encourage registrants to check the program's webpage frequently for updates.

In addition to this report, CRR staff has published topic-specific guidance to assist registrants with meeting their regulatory obligations. For example, we published guidance to help registrants meet their Know Your Client (KYC), Know Your Product (KYP) and suitability obligations as well as guidance to help investment fund managers avoid common issues when managing their investment funds. KYC, KYP and suitability obligations are among the most fundamental obligations owed by registrants to their clients, and we continue to see issues with the way registrants fulfill these obligations, so this will remain a focus for CRR.

We also use the traditional tools of on-site compliance reviews and sweeps to identify compliance deficiencies, where appropriate, at each firm we review. The remediation of these deficiencies through dialogue with CRR staff provides an opportunity to enhance compliance systems. Also, the data collected from the 2014 Risk Assessment Questionnaire

will help us to focus our resources on higher-risk issues and registrants. CRR staff will commence on-site reviews based on this new data by the end of the year.

To better serve the registrant community, we created a new registration team within CRR and added the position of Manager, Registration. By pooling our registration resources under this one team, we will gain efficiencies and enhance internal practices. Also, registration is an important gatekeeper function and the team is enhancing the registration process by developing a new initiative that will move the initial registration for firms closer to a "first compliance review." This initiative is under development, but firms that seek registration for the first time can expect that we will request additional information and potentially an in-person meeting as part of the registration process. This will allow us to focus on the firm's fitness for registration, enhancing the firm's understanding of regulatory obligations prior to registration and establishing positive communications with the registrant. Registrants and CRR staff will benefit from open communications about current regulatory obligations and practices.

Increasing our engagement with registrants was one of CRR's goals which aligned with the expansion of the OSC's direct outreach to market participants in 2013-14. Open communication with registrants gives CRR staff valuable insights into how registrants are adapting to the changes in the market environment and investor expectations. We are delighted with the participation and feedback we have received regarding our efforts to engage with our registrant community. It has been a constructive dialogue about strengthening the culture of compliance with Ontario securities law in the shared interest of protecting investors and fostering fair and efficient capital markets. We look forward to continuing the dialogue with our registrant community.

Debra Foubert
Director, Compliance and Registrant Regulation Branch

INTRODUCTION

Introduction

The regulatory framework for Ontario's capital markets is designed to provide protection to investors while fostering fair and efficient capital markets.

Ontario Securities Commission Notice 11-769 – Statement of Priorities

This annual summary report prepared by the CRR Branch (the annual report) provides information for registered firms and individuals (collectively, registrants) that are directly regulated by the OSC. These registrants primarily include:

- exempt market dealers (EMDs)
- scholarship plan dealers (SPDs)
- advisers (portfolio managers or PMs) and
- investment fund managers (IFMs).

The OSC's CRR Branch registers and oversees firms and individuals in Ontario that trade or advise in securities or act as IFMs.

Individuals	Firms			
66,210	1,056[1]			
	PMs	EMDs	SPDs	IFMs
	310[2]	261[2]	3[2]	482[3]

(i) Registrants overseen by the OSC

Although the OSC registers firms and individuals in the category of mutual fund dealer and firms in the category of investment dealer, these firms and individuals are directly overseen by their self-regulatory organizations (SROs), the Mutual Fund Dealers Association of Canada (MFDA) and the Investment Industry Regulatory Organization of Canada (IIROC), respectively. This report focusses primarily on registered firms and individuals directly overseen by the OSC.

In this report, we summarize new and proposed rules and initiatives impacting registrants, current trends in deficiencies from compliance reviews of registrants (including acceptable

[1] This number excludes firms solely registered in the category of investment dealer, mutual fund dealer, commodity trading manager, futures commission merchant, restricted PM, and restricted dealer.
[2] This number includes firms solely registered in this category.
[3] This number includes sole IFMs and IFMs registered in multiple categories.

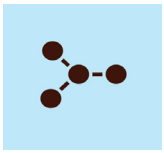
practices to address them and unacceptable practices to prevent them), and current trends in registration. We provide an update on our Registrant Outreach program that helps strengthen our communication with registrants on compliance practices. We also provide a summary of some key registrant misconduct cases, explain where registrants can get more information about their obligations, and provide CRR contact information.

This report is a key component of our outreach to registrants. We strongly encourage registrants to thoroughly read and use this report to enhance their understanding of:

- initial and ongoing registration and compliance requirements,
- OSC staff expectations of registrants and our interpretation of regulatory requirements, and
- new and proposed rules and other regulatory initiatives.

As a means of promoting pro-active compliance, we recommend registrants use this report as a self-assessment tool to strengthen their compliance with Ontario securities law, and as appropriate, to make changes to enhance their systems of compliance, internal controls and supervision.[4]

[4] The content of this report is provided as guidance for information purposes and not as advice. We encourage firms to seek advice from a professional advisor as they conduct their self-assessment and/or implement any changes to address issues raised in the report.



KEY POLICY INITIATIVES IMPACTING REGISTRANTS

1 Key policy initiatives impacting registrants

"There is a sea of change occurring in today's financial markets…..This requires regulation that promotes confidence in our capital markets, is responsive to changes in the economic and business environment, and reflects the reality of today's global, competitive capital markets.

March 27, 2014 Speech by Howard Wetston, Chair, OSC to the Toronto Region Board of Trade

1.1 Ongoing amendments to registration requirements, exemptions and ongoing registrant obligations

Since the implementation of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103) in September 2009, and the amendments which came into force in July 2011, we have monitored this relatively new regulatory regime for registrants and engaged in discussions with stakeholders about their practical experiences working with the regime. With the Canadian Securities Administrators (CSA), we developed additional technical and substantive amendments to NI 31-103 and NI 33-109 *Registration Information* (NI 33-109) arising from this ongoing consultation.

On December 5, 2013, the CSA published for comment *Proposed Amendments to NI 31-103, NI 33-109, NI 52-107, OSC Rule 33-506 and OSC Rule 35-502 and Related Forms* (NI 31-103 Proposed Amendments). The purpose of the NI 31-103 Proposed Amendments are to:

- codify current exemption orders,
- refine certain exemptions,
- provide guidance and clarification that will enhance investor protection and improve the day-to-day operation of the registration regime for industry participants and regulators,
- implement consequential amendments to other national instruments and rules as a result of the NI 31-103 Proposed Amendments (consequential amendments to NI 33-109, NI 52-107, OSC Rule 33-406 and OSC Rule 35-502), and
- further clarify the legislative intent of NI 31-103.

The NI 31-103 Proposed Amendments comment period is closed. The CSA has reviewed comments submitted by various stakeholders and is considering these comments in relation to the future NI 31-103 amendments.

For your ease of reference, the majority of the NI 31-103 Proposed Amendments are summarized in relevant sections throughout this report. For more information, see the published NI 31-103 Proposed Amendments on the OSC website.

1.2 Exempt market review

EXEMPT MARKET REVIEW[5]		
$104 BILLION	**90%**	**74%**
Ontario capital exemption distributions	Capital raised through accredited investor exemption	Capital raised through debt-related securities

As part of our continued work to enhance and expand the exempt market, we published proposals for both the CSA policy review of the existing minimum amount and accredited investor prospectus exemptions (accredited investor exemption) and the OSC's expanded review of potential new prospectus exemptions. These initiatives, discussed briefly below, will impact investors, issuers, EMDs and other registrants distributing exempt market products.

On February 27, 2014, the CSA published proposed amendments relating to the accredited investor exemption and the minimum amount investment prospectus exemption (MA exemption) in National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106).

The amendments include:

- a new risk acknowledgement form for individual accredited investors that describes, in plain language, the individual accredited investor categories and the

[5] Source: OSC Filings – based on reports of exempt distributions filed with the OSC in 2012

protections an investor will not receive by purchasing under the accredited investor exemption,

- restricting the MA exemption to distributions involving non-individual investors, and
- amending the definition of accredited investor in Ontario to allow fully managed accounts to purchase investment fund securities using the managed account category of the accredited investor exemption, as is permitted in other Canadian jurisdictions.

For more information, see *Proposed Amendments to Accredited Investor and Minimum Amount Investment Prospectus Exemptions*.

On March 20, 2014, the OSC published a proposal setting out four new prospectus exemptions. The publication of these proposals follows a comprehensive review of the exempt market. As part of that review, we considered the written comments received on earlier proposals. We also conducted extensive consultations with a broad range of stakeholders through a series of one-on-one meetings and town hall meetings, and an online survey designed to gauge the views of retail investors on investing in start-ups and small and medium-sized enterprises.

The OSC also published for comment two new reports of exempt distribution: a report for investment funds and a report for all other issuers. For additional information on these reports and the proposed exemptions, see *Introduction of Proposed Prospectus Exemptions and Proposed Report of Exempt Distribution in Ontario*.

1.3 Best interest standard

We are re-evaluating the advisor-client relationship by considering whether an explicit statutory fiduciary (or "best interest") standard should apply to dealers and advisers and on what terms. A fiduciary duty is essentially a duty to act in a client's best interest.

In Ontario, section 116 of the *Securities Act* (Ontario) (Act) applies a best interest standard to IFMs in their dealings with the investment funds they manage. There is no equivalent provision under the Act that explicitly applies a best interest standard to dealers and advisers in their dealings with their clients, although section 2.1 of OSC Rule 31-505 *Conditions of Registration* requires dealers and advisers to deal fairly, honestly and in good

faith with their clients. While there is no statutory best interest duty for dealers and advisers in Ontario, Canadian courts can find that a given dealer or adviser owes a best interest duty to his or her client depending on the nature of their relationship.

CSA Consultation Paper 33-403 *The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients* was published on October 25, 2012. We received numerous comment letters on the consultation paper and conducted three roundtables in June and July 2013 (all comment letters and the transcripts from the roundtables are available on the OSC website). On December 17, 2013, we published CSA Staff Notice 33-316 – *Status Report on Consultation under CSA Consultation Paper 33-403: The Standard of Conduct for Advisers and Dealers: Exploring the Appropriateness of Introducing a Statutory Best Interest Duty When Advice is Provided to Retail Clients*, which summarized the consultation work conducted to date in respect of the best interest consultation initiative, and identified the key themes that emerged from the best interest consultation process.

We continue to work with our CSA colleagues on this project. The continued work required will depend in part on the outcome of the research we conduct this year. Once this research and analysis has been completed, we will publish the results and our decision on how we plan to move forward with the best interest duty initiative, including timing.

1.4 Cost disclosure, performance reporting and client statements

On July 15, 2013, the Client Relationship Model - Phase 2 (CRM2) amendments to NI 31-103 came into effect. They are being phased-in over a three-year period. The amendments introduce new requirements for reporting to clients about the costs and performance of their investments, and the content of the investments in their accounts. The requirements apply to dealers and PMs in all categories of registration, with some application to IFMs as well. For more information about these amendments, see *CSA Notice of Amendments to NI 31-103 and to Companion Policy 31-103CP (Cost Disclosure, Performance Reporting and Client Statements)*.

As of July 15, 2013, minor clarifications to NI 31-103 took effect, such as enhancements to relationship disclosure information. Beginning July 15, 2014, dealers and PMs were required to:

- provide pre-trade disclosure of charges, and

- report on compensation from debt securities transactions.

IIROC and MFDA member rules are harmonized with the CSA's CRM2 requirements and will be implemented on the same schedule. SRO members who comply with equivalent member rules will be exempted from the CRM2 requirements in NI 31-103.

To help industry implement the changes, on March 7, 2014 we sent an email blast on CRM2 planning tips directly to the chief compliance officers (CCOs) of all registered dealers and PMs. We have also initiated a CRM2 discussion forum with industry associations and regulators, including IIROC and the MFDA.

Beginning July 15, 2015, expanded account statement requirements will be implemented. These include requirements to provide position cost information and to determine market values using a prescribed methodology for most securities owned by clients, including those held in client name.

For additional information on future requirements, see section 1.1 of OSC Staff Notice 33-742 – *2013 OSC Annual Summary Report for Dealers, Advisers and Investment Fund Managers* (OSC Staff Notice 33-742) and the frequently asked questions and additional guidance in CSA Staff Notice 31-337 *Cost Disclosure, Performance Reporting and Client Statements – Frequently Asked Questions and Additional Guidance as of February 27, 2014*.

1.5 Independent dispute resolution services for registrants

On May 1, 2014, NI 31-103 was amended to make the Ombudsman for Banking Services and Investments (OBSI) the common dispute-resolution service for the securities industry in Canada except in Québec.

The transition period for existing registrants expired on August 1, 2014. All dealers and PMs registered in Ontario were required as of August 2, 2014 to be OBSI "Participating Firms" requiring registrants to take reasonable steps to make OBSI's services available to clients who have "eligible complaints" (as defined in section 13.16). There are also new related client disclosure requirements. For more information about these amendments, see *CSA Notice of Amendments to NI 31-103 and to 31-103CP (Dispute Resolution Services)*.

We remind all dealers and PMs of their existing requirements in section 13.15 of NI 31-103 to have internal complaint handling policies in place to ensure that all client complaints are addressed appropriately.

On May 1, 2014, the CSA published CSA Staff Notice 31-338 *Guidance on Dispute Resolution Services Client Disclosure for Registered Dealers and Advisers that are not members of a Self-Regulatory Organization*. This Notice provides guidance regarding the disclosure firms must provide to their clients about the availability of OBSI's services and internal complaint handling procedures that meet the requirements of the rule. The notice also provides a sample client disclosure document.

The participating CSA jurisdictions have entered into a Memorandum of Understanding (MOU) with OBSI concerning its oversight of this initiative. For additional information please refer to the MOU.

1.6 PM - IIROC dealer service arrangements

Working together, CSA and IIROC staff are reviewing service arrangements between CSA-regulated PMs and investment dealers that are members of IIROC to assess if rules and/or guidance is needed.

Typically under these arrangements, an IIROC dealer provides trading and custody services to a PM and its clients, but may also provide recordkeeping, client account statements, and margin services. These arrangements are similar to introducing broker–carrying broker arrangements between IIROC dealers that are governed under IIROC Dealer Member Rule 35, but are not subject to any specific rules or guidance.

We identified a number of issues with PM–IIROC dealer service arrangements, including:

- agreement between the PM and the dealer,
- disclosure to the PM's clients, and
- in some cases, the PM relying on the dealer's books and records, and account statement delivery to the PM's clients, to meet its own obligations without being responsible and accountable for the services, and without adequate supervision.

The CSA is working with IIROC to address these issues. The working group is also considering whether PM clients need to continue to receive dual account statements

separately from their respective PM and custodian, and if instead the delivery of one account statement (such as a joint account statement from the PM and custodian) is a viable option, keeping in mind investor protection and other regulatory concerns.

Until this work is complete, PMs are to comply with their existing account statement delivery obligations in section 14.14 of NI 31-103, and prepare for the new additional statement requirements in section 14.14.1 of NI 31-103 which come into force on July 15, 2015.

See section 4.3.3 of OSC Staff Notice 33-742 for more information on OSC staff's current expectations and interim guidance on PM client account statement delivery practices.

1.7 Derivatives regulation

In December 2010, the Act was amended to establish a framework for derivatives regulation in Ontario. However, certain amendments relating to derivatives regulation have not yet been proclaimed into force as the necessary supporting rules are not yet in place.

We are consulting with the OSC Derivatives Branch in developing a number of rules relating to the regulation of derivatives, including a rule for determining whether products should be regulated as securities, derivatives, or exempt from regulation (the Product Determination Rule), and a rule that will set out the principal registration requirements and exemptions for derivatives' market participants, including derivatives dealers, derivatives advisers and large derivatives' market participants (the Derivatives Registration Rule).

In April 2013, the CSA Derivatives Committee published for comment CSA Consultation Paper 91-407 – *Derivatives: Registration*. We are reviewing the comments received on the consultation paper and developing the proposed Derivatives Registration Rule.

On January 3, 2014, the OSC published a Notice of Ministerial Approval in connection with the Product Determination Rule, OSC Rule 91-506 *Derivatives: Product Determination*, and OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (the Trade Repositories Rule). The rules were effective December 31, 2013.

Although the Product Determination Rule only currently applies to the related Trade Repositories Rule, it is anticipated that, once the remaining rules relating to the new derivatives regulatory framework are in place, the Product Determination rule will be extended to apply generally.

As a result of amendments to the Trade Repositories Rule made in April 2014, the trade reporting requirements will take effect on October 31, 2014. We encourage registrants to review their policies and procedures in relation to the reporting of over the counter derivatives transactions. We are working with the OSC Derivatives Branch in developing an oversight program for testing registrant compliance with these new requirements.

OUTREACH TO REGISTRANTS

2 Outreach to registrants

"We want to provide registrants with tools to build proactive compliance systems."

April 9, 2013 speech by Debra Foubert, Director, Compliance and Registrant Regulation at the Strategy Institute: Annual Registrant Regulation, Conduct & Compliance Summit

We continued to interact with our stakeholders through our outreach program to registrants which was launched in 2013. The objectives of our Registrant Outreach program are to strengthen our communication with Ontario registrants that we directly regulate and other industry participants (such as lawyers and compliance consultants), promote stronger compliance practices and, enhance investor protection.

2.1 Registrant Outreach program

REGISTRANT OUTREACH STATISTICS		
16	**2000**	**Key features**
• In-person & webinar seminars provided to June 30, 2014	• Individuals attended outreach sessions to June 30, 2014	• dedicated web page • educational seminars • registrant outreach community • registrant resources

The Registrant Outreach program continues to provide Ontario registrants with practical knowledge on compliance-related matters and gives them the opportunity to hear first-hand from OSC Staff about the latest issues impacting them. Since the launch of the program in July 2013, approximately 2,000 individuals have attended registrant outreach sessions, either in-person or via webinar. The feedback from these participants has been very positive.

The outreach program is interactive and has the following features to enhance the dialogue with registrants:

a) Registrant outreach web page

We set up a Registrant Outreach page on the OSC's website at www.osc.gov.on.ca, which was designed to enhance awareness of topical compliance issues and policy initiatives. Registrants are encouraged to check the web page on a regular basis for updates on regulatory issues impacting them.

b) Educational seminars

Anyone interested in attending an event can go to the Calendar of Events section of the Registrant Outreach page of the OSC website, for seminar descriptions and registration.

c) Registrant outreach community

Registrants are also encouraged to join our Registrant Outreach Community to receive regular e-mail updates on OSC policies and initiatives impacting registrants, as well as the latest publications and guidance on our expectations regarding compliance.

d) Registrant resources

The registrant resources section of the web page provides registrants and other industry participants with easy, centralized access to recent compliance materials. If you have questions related directly to the Registrant Outreach program or have suggestions for seminar topics, please send an email to RegistrantOutreach@osc.gov.on.ca.

2.2 Registrant Advisory Committee

The OSC's Registration Advisory Committee (RAC) was established in January 2013. The RAC, which is currently comprised of 11 external members, advises OSC staff on issues and challenges faced by registrants in interpreting and complying with Ontario securities law, including registration and compliance related matters. The RAC also acts as a source of feedback to OSC staff on the development and implementation of policy and rule making initiatives that promote investor protection and fair and efficient capital markets. The RAC meets quarterly and members serve a two year term. The initial two year term will expire in December 2014 and a call for new members will be made in the fall of 2014. You can find a list of current RAC members on the OSC website.

Topics of discussion with the RAC this year have included the proposed mutual fund risk classification methodology for use in the Fund Facts, the proposed exemptions included as part of the exempt market review process (discussed briefly above), current topics related to PMs and IFMs, the electronic delivery of documents to the OSC, the new proposed OSC derivatives rules (discussed briefly above), and proposed changes to the OSC Rule 13-502 *Fees* (the Fees Rule).

2.3 Communication tools for registrants

We use a number of tools to communicate initiatives that we work on and the findings of those initiatives to our registrants, including OSC Compliance annual reports, Staff Notices (OSC and CSA) and e-mail blasts. The information provided to registrants via e-mail blasts is discussed in various sections of this report. The table below provides a listing of recent e-mail blasts sent to registrants.

Date of email blast	E-mail blast topic and additional information
June 19, 2014	**OSC Staff Notice 33-743 – *Guidance on sales practices, expense allocation and other relevant areas developed from the results of the targeted review of large investment fund managers*** (OSC Staff Notice 33-743) See section 4.4 b) of this report.
June 10, 2014	**Risk Assessment Questionnaire (RAQ)** See section 4.1 a) (ii) of this report.
May 1, 2014	**Requirement to make OBSI available to clients** See section 1.5 of this report.
March 12, 2014	**Requirement to make OBSI available to clients** See section 1.5 of this report.
March 7, 2014	**CRM2 FAQ published; planning tips** See section 1.4 of this report.
February 11, 2014	**Requirement to deliver documents electronically to the Ontario Securities Commission (Effective February 19, 2014)** See section 4.1 d) (ii) of this report.
January 9, 2014	**CSA Staff Notice 31-336 - *Guidance for Portfolio Managers, Exempt Market Dealers and Other Registrants on the Know-***

	Your-Client, Know-Your-Product and Suitability Obligations See section 4.1 c) (i) of this report.
November 20, 2013	**Guidance for changes in calculating capital markets participation fees by registrant firms, unregistered exempt international firms and unregistered IFMs effective April 1, 2013** See section 4.1 e) of this report.
September 9, 2013	**Calculation of excess working capital and the use of subordination agreements** See section 4.1 c) (iv) 3) of this report.

For more information, see OSC E-mail blasts.

2.4 Impact of "Heartbleed" vulnerability on registrants

On April 17, 2014, we sent a survey to registrants with head offices in Ontario in response to the "Heartbleed" bug. The "Heartbleed" bug presented a vulnerability to Internet services that allowed an attacker/hacker to read encrypted information which could expose sensitive data such as passwords and bank account information. The purpose of the survey was to gauge the degree to which the "Heartbleed" bug impacted our registrants.

The survey results indicated that 66% of registrants transacted with or for their clients or others through web sites, social media, file transfers or remote connections. This indicates that a large number of survey respondents not only use the Internet, but do so in such a way that sensitive information is likely exchanged over the web either with clients or service providers.

Strong and tailored cyber security measures are an important element of a registrant's controls in promoting reliability of their operations and the protection of confidential information. To manage the risks of a cyber threat, registrants and regulated entities should be aware of the challenges of cybercrime and should take the appropriate protective measures necessary to safeguard themselves and their clients and stakeholders.

For additional information on guidance to strengthen cyber security, refer to CSA Staff Notice 11-326 *Cyber Security* published on September 26, 2013.

REGISTRATION OF FIRMS AND INDIVIDUALS

3 Registration of firms and individuals

"Participation as a registrant in Ontario's capital markets is a privilege that comes with significant responsibilities to investors and the public at large"

June 13, 2012 speech by Mary Condon, Vice-Chair, Compliance & Risk Management Strategies Summit for Portfolio Managers and Fund Managers

The registration requirements under securities law help to protect investors from unfair, improper or fraudulent practices by market participants. The information required to support a registration application allows us to assess a firm's and an individual's fitness for registration. When assessing a firm's fitness for registration we consider whether it is able to carry out its obligations under securities law. We use three fundamental criteria to assess an individual's fitness: proficiency, integrity and solvency. These fitness requirements are the cornerstones of the registration regime.

In this section, we discuss current trends in registration, discuss novel business activities potentially requiring registration, provide an update on supervisory terms and conditions (T&Cs), outline a new pre-registration process recently implemented and provide a snapshot of the NI 31-103 Proposed Amendments that will impact registration requirements.

3.1 New rules and initiatives for registrants

a) Pre-registration reviews

We commenced pre-registration reviews by incorporating compliance review procedures as part of the registration process. We are referring to this process as "Registration as the first Compliance Review". The procedures include reviewing a firm's financial condition, business plan and at a high level the policies and procedures manual. Additional procedures may also be conducted with a focus on proposed operations, compliance systems, and proficiency of the firms' individuals. Information is gathered by OSC staff through written inquires, requests for documentation and/or interviews of a firm's key representatives.

The purpose of the pre-registration review is to assess compliance with Ontario securities law at the time of registration. Noted deficiencies are raised with firms and corrective

action of all issues is required prior to firm registration. The pre-registration review will enhance firms' awareness of their obligations to establish an adequate compliance system.

Suggested practices to prepare for an OSC pre-registration review:

Firms must:

- Establish an effective compliance system prior to commencing registerable activities.
- Ensure that written policies and procedures adequately address all aspects of business operations.
- Be prepared to answer detailed questions (in writing or in person) regarding the firm's business plan and compliance systems including:
  - products and services that will be offered,
  - business growth plans,
  - details on referral arrangements, if any,
  - supervisory structure within the context of the firm's growth objectives,
  - marketing plans,
  - material business contracts, and
  - oversight for outsourced business arrangements.
- Be prepared to provide
  - the firm's application or membership in OBSI, if applicable,
  - details regarding planned custodial arrangements,
  - copies of business plans and policies and procedures manual, and
  - copies of other information such as offering documents, referral agreements, KYC documents, and disclosure documents.

Firms are encouraged to:

- Compile records requested on a timely basis.
- Perform an initial self-assessment to determine compliance with Ontario securities law, or engage a compliance consultant to perform the assessment prior to registration, and rectify all deficient areas prior to applying for registration.

Unacceptable practices

Firms are encouraged to avoid the following practices:

- Conduct the following after submission of a registration application:
  - draft the written policies and procedures manual, and
  - search for possible service providers.
- Provide documents related to the registration process in stages; complete

documentation relating to the registration application should be provided at the time of registration including audited financial statements.

b) NI 31-103 Proposed Amendments to registration requirements

The following chart provides a high level overview of the NI 31-103 Proposed Amendments to registration requirements that will impact registrants.

Proposed amendment[6]	Topic	Purpose
Section 3.3 of NI 31-103	Proficiency: review of time-limits used to stale date exams	Technical amendment to codify blanket/omnibus relief dated February 26, 2010 currently being relied on related to examinations and programs for dealing representatives of EMDs and SPDs.
Section 4.1 of NI 31-103	Prohibition in s. 4.1(1)(b) regarding dually registered individuals	To clarify that the dual registration prohibition applies to a firm registered in any jurisdiction of Canada.
Section 13.4 of the Companion Policy to National Instrument 31-103 (31-103CP)	Identifying and responding to conflicts of interest	To add guidance relating to conflicts of interest in relation to registered representatives that serve on the boards of reporting issuers or have outside business activities (OBAs).
NI 33-109	Amendments to NI 33-109 forms	To update and enhance certain NRD forms.

For additional information see sections 1.1 and 3.3 of this report.

[6] Subject to change and final approval

c) Registration service commitment

In May 2014, we issued the OSC service commitment in which our service standards are set out in detail. The following standards, conditions and timelines pertain to registrants and registration-related filings where the OSC is the principal regulator.

Service Commitment Summary	
Item	**Service commitment**

New business submissions	• A registration officer will:
	  ○ contact your representative and provide instructions on fee payment and provide notification that the system is ready to accept applications from the "mind and management" of your business within **5 working days** upon receipt of your application
	  ○ best efforts target: **95%** of the filings.
	• Aim to provide a decision to your application within **90 working days** where the following conditions are met:
	  ○ you are a non-SRO applicant,
	  ○ all questions are answered with sufficient detail,
	  ○ all regulatory obligations are met,
	  ○ there are no concerns with your fitness for registration, and
	  ○ you respond to our request for information in a timely manner
	  ○ best efforts target: **80%** or more of these filings.

Dealing representatives – new applications and reactivations	• Aim to review, analyze, and provide a decision to your application with **5 working days** where the following conditions are met:
	  ○ your application is complete,
	  ○ your application is not associated with a new business application, and
	  ○ there are no concerns with your fitness for registration
	  ○ best efforts target: **80%** or more of these filings.

Advising representatives (ARs), associate advising representatives (AARs) and CCOs – new applications and reactivations	• Aim to apply a decision to your application within **20 working days** where the following conditions are met: ○ your application is complete, ○ your application is not associated with a new business application, and ○ there are no concerns with your fitness for registration ○ best efforts target: **80%** or more of these filings.
Notices of termination (where individuals leave former firm in good standing)	• Aim to complete a notice of termination within **5 working days**. ○ best efforts target: **95%** or more of these filings

In relation to the service commitments summarized above, if we do not receive a response within three weeks of making a request relating to a registration filing, we will generally consider the file to be dormant and will take steps to close it. Prior to closing the file, we will send the filer another notification asking for a status update and informing them of the imminent files closure within two weeks unless we receive a response to our notification. In cases where a re-activitation of the file is requested, an additional fee may be required.

3.2 Trends in registration

a) Registration of not for profit issuers

We became aware of a number of not for profit issuers that are distributing their own securities. NI 45-106 provides an exemption from the prospectus requirement in section 2.38 for certain not for profit issuers distributing their own securities provided they comply with certain conditions. However, as of March 27, 2010, the registration exemption previously available under section 3.38 of NI 45-106 is no longer available. A not for profit issuer is required to consider whether it is engaged in the business of trading in securities (please refer to the 31-103CP section 1.3 *Factors in determining business purpose)*. If an issuer is in the business of trading its securities, then registration as a dealer is required.

b) Tax shelter products

We remind registrants that tax shelter products, including ones that involve leveraged donations of property (for instance, artwork and medical supplies) to charities and ones that are marketed to investors on the basis of tax credits or deductions that are claimed to be available, are typically considered "securities" and require registration. See section 4.2 b) of this report for further information.

c) Desk review of supervisory T&Cs

We conducted a desk review of non-SRO registrant firms whose sponsored individuals have been or are currently subject to supervisory T&Cs. The types of T&Cs reviewed included strict supervision, close supervision, OBAs, and requirement to deliver disclosure documents to clients. The objective of the review was to ensure adequate supervision by the firm over these T&Cs. We also compared the T&Cs to the original activities that led to their imposition and concluded that the T&Cs were fitting for the types of activities reported. The review concluded that most firms were adhering to the T&Cs imposed on their individual registrants and were conducting adequate supervision. One firm was identified as not fulfilling their supervisory obligations. We are following up with this firm.

d) Registration of online portals

We have seen a number of firms applying to register as EMDs that plan to operate accredited investor only internet portals. EMDs can operate portals to facilitate distributions of securities in reliance on prospectus exemptions (e.g. the accredited investor exemption) provided they comply with all normal requirements applicable to the EMD category, including KYC and suitability.

In contrast, Multilateral Instrument 45-108 *Crowdfunding*, the proposed crowdfunding rule, contemplates that funding portals will register in the restricted dealer category. The crowdfunding prospectus exemption is aimed at allowing retail investors to participate in the capital raising of businesses in Canada. The crowdfunding portal is subject to important conditions (e.g. it can only distribute securities in reliance on the new crowdfunding prospectus exemption, which includes investment limits of $2,500 per investment/$10,000 per annum) and will not be able to distribute securities in reliance on other exemptions, e.g. the accredited investor exemption.

e) Registration of online advisory businesses

We have seen increasing interest in advisers providing advice through online platforms. We have recently registered a small number of PM firms that will operate online and expect to see others enter the market. The online advice model that we have considered to be acceptable involves an interactive website used to collect KYC information, which will be reviewed by a registered AR. The AR will communicate with the client by telephone, video link, email or internet chats. The AR must ensure that sufficient KYC information has been gathered to support the PM firm's obligation to make suitability determinations for the client.

Each of the firms that we have registered to provide online advice operates on a discretionary managed account basis, using portfolios of unleveraged exchange traded funds (ETFs) or low cost mutual funds. In most cases, these are model portfolios which are selected for a client based on a profile generated by the KYC collection process. An AR will review and approve the suitability of the portfolio for the client. The client's account is periodically rebalanced to the parameters set for their portfolio.

This is not the so-called "robo-advice" model seen in the United States, where online advice has seen rapid growth in the last few years. The online advisers operating in Ontario are offering hybrid services that utilize an online platform for the efficiencies it offers, while ARs remain actively involved in decision making.

We do not think that an entirely automated decision making process would be acceptable at this stage. The KYC and suitability obligations of PMs that provide their services through online platforms remain the same as for any other PM. A PMs obligations under securities law does not change as a result of the delivery method of providing the services to a client. We expect firms that are interested in implementing an online advice operating model in Ontario to submit their proposed online KYC questionnaire and related processes for a due diligence review by CRR staff. This review in no way diminishes the firm's ongoing responsibilities under applicable securities law.

f) Fees for late document filings

We continue to see late regulatory filings related to registration documents including, but not limited to:

- financial and civil disclosures,
- other business activities,
- ownership of securities and derivatives firms, and
- acquisition notices under sections 11.9 and 11.10 of NI 31-103 (see section 4.1 b) in this report for additional information).

Most registration updates must be filed within 10 days of a change to a registered firm's information in Form 33-109F6 – *Firm Registration Form* or *Form 33-109F4 – Individual Registration Form*.

When required documents are filed late, late fees will apply and be charged. The applicable fee is $100 per business day, subject to a maximum aggregate fee of $5,000 for all documents required to be filed within a calendar year. Please see the full list found in Appendix D – Additional Fees for Late Document Filings in the Fees Rule.

We remind firms that they are expected to have an effective compliance system in place to minimize late filings.

g) Registration related conflicts of interest

The CSA provided clarification and guidance regarding OBAs in the NI 31-103 Proposed Amendments dated December 5, 2013. Disclosure is and will continue to be required for all officer or director positions and any other equivalent positions held as well as positions of influence per Item 10 – Current employment, other business activities, officer positions held and directorships in Form 33-109F4 (the F4). Guidance has also been added in the 31-103CP which clarifies that disclosure is required for certain paid or unpaid roles with charitable, social or religious organizations and for owners of a holding company.

We continue to place restricted client T&Cs on individuals with a position of influence (particularly over potentially vulnerable clients). These T&Cs restrict the individual from trading or advising clients met through the OBA (and close family members of those clients). For example, this year restricted client T&Cs were placed on:

- teachers (elementary, secondary and college),
- registered nurses (hospital and nursing home),
- early childhood educators (daycare and school),

- a volunteer minister, and
- support workers (work with clients with mental health issues, abused women or the elderly).

Suggested practices to adequately address OBA

Registrants Must:

- Assess OBAs to identify conflicts of interest, determine the level of risk, and respond appropriately (for example, approve each new OBA before it begins).
- Promote compliance with OBA requirements through an annual attestation and questionnaire, ongoing monitoring, and education.
- When onboarding a new registered or permitted individual:
    - review and discuss all pre-existing OBAs,
    - review and vet responses to all conflict of interest questions in Schedule G (Item 10 of the F4),
    - ensure OBA disclosure on NRD is complete and correct, and
    - remind the individuals that any change to this disclosure must be reported to the firm and filed on NRD within 10 days of the change.

Unacceptable practices

Registrants must not:

- Permit an OBA if it cannot properly control the potential conflict of interest.
- State in the F4 disclosure- Item 10 that there is no actual or potential conflicts of interest and client confusion when that is not true (e.g., individual holds an elected office or provides free investment management services to a social organization).
- Sponsor an individual with an OBA until the firm is ready to discuss what additional supervisory/oversight policies and procedures they are willing to perform to ensure compliance with the restricted client T&Cs.

3.3 Proposed amendments to NI 31-103[7]

a) Proficiency of registrants

Experience for CCOs of Dealers

In the course of compliance reviews, we identified a number of dealer firms that have CCOs who are not adequately performing their responsibilities. This deficiency is often associated with a finding that the CCO does not have relevant experience. As a result, we proposed amendments to add a requirement that CCOs of mutual fund dealers, SPDs and EMDs have 12 months of relevant securities industry experience in the 36-month period prior to applying for registration. These new requirements will apply to new firm applications only.

Proficiency Principle – CCOs of dealers, advisers and IFMs

The experience requirement being proposed for dealer CCOs is consistent with the proficiency principle in section 3.4 of NI 31-103 which states that a CCO must not perform an activity that requires registration unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently. We have further elaborated on this principle in 31-103CP to clarify that this must include a good understanding of the regulatory requirements applicable to the firm (and individuals acting on its behalf) as well as the knowledge and ability to design and implement an effective compliance system.

Experience for ARs and AARs

We provided further guidance in 31-103CP clarifying what we may consider relevant investment management experience for AR and AARs. This guidance incorporates content from CSA Staff Notice 31-332 *Relevant Investment Management Experience for Advising Representatives and Associate Advising Representatives of Portfolio Managers* (CSA Staff Notice 31-332) published on January 17, 2013. Firms should continue to refer to the CSA Staff Notice 31-332 for specific examples. We expect firms and individuals to consider CSA Staff Notice 31-332 and 31-103CP as guidance at appropriate times, such as during the job application, hiring process and submission of applications for registration.

[7] Subject to change and final approval

3.4 Trends in applications for PM registration

We are receiving a number of registration applications for small and one person PM firms (which may also include the categories of IFM and EMD) where none of the applicants have been previously registered as an AR, employed at a registered PM firm or been employed in a compliance capacity.

In order for these individuals (and firms) to be registered, they must provide evidence that they have the required courses and relevant investment management experience to qualify as an AR or CCO, as is the case for all new CCO and AR applicants. The individuals must also demonstrate how they meet the requirements of the proficiency principle in section 3.4 of NI 31-103 to competently perform the activities requiring registration.

Suggested practices to adequately prepare individual registration applications

Applicants must:

- Send evidence of course completion.
- Provide information on experience that is clear, accurate and relevant. For example, the information should:
  - provide details of relevant past duties and responsibilities, including the dates and employers where the experience was obtained,
  - provide an estimate of the percentage of time spent on the more relevant activities,
  - focus on the experience of the individual; where it is helpful or necessary to include information about the individual's team or firm to put the information in context, ensure that the duties and responsibilities of the particular individual are clear, and
  - ensure that past experience is distinguished from proposed activities that the individual will conduct upon registration.
- Be prepared to provide evidence of the experience being described upon request (for example, a letter from a former supervisor confirming and describing the experience).
- Be prepared to answer questions about their understanding of the regulatory requirements for the category of registration applied for.
- For CCO applicants, provide information on how their past experience has provided them with the knowledge and ability to design and implement an effective compliance system.

Unacceptable practices

Applicants must not:

- Provide information that has not been reviewed for accuracy. By filing the application, the individual is certifying that the information is true and complete. It is also the firm's obligation under Part 5 of NI 33-109 to make reasonable efforts to ensure the truth and completeness of the information submitted.
- Expect that the discretionary management of the individual's own investment portfolio will qualify as relevant investment management experience or be sufficient to demonstrate the experience or competencies required for registration as a CCO.
- Rely solely on third parties such as legal counsel and compliance consultants to meet proficiency and other regulatory requirements. While we encourage registrants to make use of external supports, such as legal counsel and compliance consultants, the obligations set out in Part 5.2 of NI 31-103 are those of the registrant.

INFORMATION FOR DEALERS, ADVISERS AND INVESTMENT FUND MANAGERS

4.1 All registrants

- **a) Compliance review process**
- **b) Failure to provide notice of ownership changes or asset acquisitions**
- **c) Current trends in deficiencies and acceptable practices**
- **d) Proposed rules and initiatives impacting all registrants**
- **e) Fees**
- **f) Conflicts of interest**

4.2 Dealers (EMDs and SPDs)

- **a) Current trends in deficiencies and acceptable practices**
- **b) Charitable donation/taxable donation tax schemes**
- **c) Update on results of SPD reviews**
- **d) New and proposed rules and initiatives impacting dealers**
- **e) EMDs and direct electronic access**
- **f) Review of prospectus exemptions**
- **g) Permitted activities in EMD category**
- **h) Proposed amendments to NI 33-105**

4.3 Advisers (PMs)

- **a) Current trends in deficiencies and acceptable practices**
- **b) New and proposed rules and initiatives impacting PMs**

4.4 Investment fund managers

- **a) Current trends in deficiencies and acceptable practices**
- **b) Sweep of large "impact" IFMs**
- **c) Sweep of newly registered IFMs**
- **d) New and proposed rules and initiatives impacting IFMs**

4 Information for dealers, advisers and investment fund managers

"Our job as a regulator is to create the framework and set the rules of the game to make Ontario's capital markets fairer and more efficient, and provide an appropriate level of investor protection."

May 2, 2013 speech by Howard Wetston, Chair, OSC to the 2013 EMDA Exempt Market

The information in this section includes the key findings and outcomes from our ongoing compliance reviews of the registrants we directly regulate. We highlight current trends in deficiencies from our reviews and provide suggested practices to address the deficiencies. We also discuss new or proposed rules and initiatives impacting registrants.

This part of the report is divided into four main sections. The first section contains general information that is relevant for all registrants. The other sections contain information specific to dealers (EMDs and SPDs), advisers (PMs) and IFMs, respectively. This report is organized to allow a registrant to focus on reading the section for all registrants and the sections that apply to their registration categories. *However, we recommend that registrants review all sections in this part, as some of the information presented for one type of registrant may be relevant to other registrants*.

4.1 All registrants

This section discusses our compliance review process, current trends in deficiencies and suggested practices to address them, and new and proposed rules and initiatives impacting all registrants.

a) Compliance review process

We conduct compliance reviews of registered firms on a continuous basis. The purpose of compliance reviews is primarily to assess compliance with Ontario securities law; but they also help registrants to improve their understanding of regulatory requirements and our expectations, and help us to learn about a specific industry topic or practice we may have concerns with. We frequently conduct compliance reviews on-site at a registrant's premises, but also perform desk reviews from our offices. For information on "What to

expect from, and how to prepare for an OSC compliance review" see the slides from the Registrant Outreach session provided on October 22, 2013 on "Start to finish: Getting through an OSC compliance review".

(i) Risk-based approach

Firms are generally selected for review using a risk-based approach. This approach is intended to identify firms that are most likely to have material compliance issues (including risk of harm to investors) or significant impact to the capital markets if there are compliance breaches. To determine which firms should be reviewed, we consider a number of factors, including firms' responses to the most recent RAQ, their compliance history, complaints or tips from external parties, and referrals from another OSC branch, an SRO or another regulator.

(ii) Risk Assessment Questionnaire

"This process is essential for gathering data from the firms we regulate, which in turn, informs our approach to compliance…We use this data to make evidence-based decisions about which firms require further attention and oversight."

June 10, 2014 press release re Ontario Securities Commission Issues 2014 Risk Assessment Questionnaire

We issue a comprehensive RAQ periodically to collect information about our registrants' business operations. The 2014 RAQ was sent on June 10, 2014 to firms that were registered with the OSC in the categories of PM, restricted PM, IFM, EMD, and/or restricted dealer. Firms had approximately 40 days to complete and submit the RAQ online.

The RAQ supports our risk based approach to select firms for on-site compliance reviews or targeted reviews. Based on the responses to this year's RAQ, we will select higher risk firms for on-site compliance reviews.

(iii) Sweep reviews

In addition to reviewing firms based on risk selection, we also conduct sweeps which are compliance reviews on a specific topic on firms in an industry sector. Sweeps allow us to respond on a timely basis to industry-wide concerns or issues. We regularly perform sweeps of newly registered firms to assess if they are off to a good start and to help them to understand their requirements and our expectations. We also regularly review large or "impact" firms as discussed in (i) above.

Some of the sweep reviews we performed this year are highlighted below:

- We completed the reviews of a sample of "impact" PMs, IFMs and EMDs. The results of this sweep produced staff guidance in relation to IFMs only. See section 4.4 b) on *Sweep of large "impact" IFMs* for a summary of this sweep's findings and the guidance issued.
- We started on-site reviews of a sample of newly registered IFMs. We included IFMs in the sample that were registered during a specified time period and that had not previously been reviewed. See section 4.4 c) on *Sweep of newly registered IFMs* for additional information.
- We performed a desk review of the 2013 capital markets participation fees provided to the OSC for 123 registrants. See section 4.1 e) on *Ongoing review of capital markets participation fees* for additional information.
- We performed a desk review of supervisory T&Cs. See section 3.2 c) on *Desk review of supervisory T&Cs* for this sweep's findings.

(iv) Outcomes of compliance reviews

In most cases, the deficiencies found in a compliance review are set out in a written report to the firm so that they can take appropriate corrective action. After a firm addresses its deficiencies, the expected outcome is that they have enhanced their compliance. If a firm had many significant deficiencies, once it addresses these, the expected outcome is that they have significantly enhanced their compliance.

In addition to issuing compliance deficiency reports, we take additional regulatory action when warranted (including when we identify potential registrant misconduct or fraud).

The outcomes of our compliance reviews in fiscal 2014, with comparables for 2013, are presented in the following table and are listed in their increasing order of seriousness. Firms are shown under the most serious outcome obtained for a particular review. The percentages in the table are based on the registered firms we reviewed during the year and not the population of all registered firms.

Outcomes of compliance reviews (all registration categories)	Fiscal 2014	Fiscal 2013
Enhanced compliance	53%	38%
Significantly enhanced compliance	28%	52%
Terms and conditions on registration	10%	3%
Surrender of registration	3%	1%
Referral to the Enforcement Branch	5%	2%
Suspension of registration[8]	9%	4%

For an explanation of each outcome, see Appendix A in OSC Staff Notice 33-738 - *2012 OSC Annual Summary Report for Dealers, Advisers and Investment Fund Managers* (OSC Staff Notice 33-738).

(v) Contacting investors as part of compliance reviews

We continue to contact investors as part of our ongoing, normal course reviews of dealers and advisers. For additional information, see the section titled "Contacting investors as part of compliance reviews" in OSC Staff Notice 33-742.

b) Failure to provide notice of ownership changes or asset acquisitions

We continue to have significant concerns with some registrants not providing us with the required notice under sections 11.9 or 11.10 of NI 31-103 of proposed ownership changes in, or asset acquisitions of, registered firms. For example, we continue to find a number of cases where:

- Registrants (including the Ultimate Designated Person (UDP), CCO, AR, or dealing representative of the firm) acquired 10% or more of the securities of another registered firm, or their sponsoring firm, without first providing us with the required notice.

- Registered firms have not provided us with the required notice as soon as the registered firm knew, or had reason to believe, that 10% or more of its voting securities were going to be acquired by a non-registrant, including an officer,

[8] This percentage includes registrants suspended in the period reported on as a result of compliance reviews occurring in the reporting period and registrants suspended in the reporting period based on compliance reviews that occurred prior to the reporting period.

director, permitted individual or employee of the firm (barring exceptional circumstances, we expect to receive notice of these transactions at least 30 days prior to the transaction taking place).

- Registrants acquired all or a substantial part of the assets of another registered firm without first providing us with the required notice. Examples of scenarios where we would expect to receive (and have, in fact, received) a section 11.9 or 11.10 notice in this context include:
  - the acquisition (whether structured as a "purchase" for compensation or not) of another registered firm's book of business, including where the other registered firm is a one-person firm
  - the acquisition of a business line or division of another, large registered firm, and
  - the acquisition of all of the investment fund management contracts of another registered firm that is an IFM.

We also found that some IIROC or MFDA member firms did not file the required notices under sections 11.9 or 11.10 based on the view that their SRO notice process was sufficient. This is not the case. The notice obligations apply to all registrants, including member firms of IIROC and the MFDA, and arise from the OSC's responsibility to register, among others, dealer firms.

In the cases where registrants did not provide us with the required notice for their completed acquisitions, we required them to file the notice materials for review and pay the applicable filing fees. Although in all of these cases to date we issued a letter to each firm warning them of the seriousness of their failure to provide notice, we may in appropriate circumstances also take other regulatory action. As we mentioned in last year's report, registrants that do not give us the required notice (or provide the notice after the specified deadline) will most likely also be charged late fees for the late notice, as well as applicable late fees for each related securities regulatory filing that is also filed late. For a further discussion regarding late fees generally, see section 3.2(f) of this report.

In addition to filing notices under sections 11.9 or 11.10 of NI 31-103, a change in share ownership of a registered firm, or an acquisition of its assets, typically triggers additional securities regulatory filings. In addition to any SRO filings (discussed above), these additional filings could include:

- filings under NI 33-109 (including, in particular, filings of Form 33-109F5 *Change of Registration Information*), and
- change of manager approval requests under section 5.5 of National Instrument 81-102 *Mutual Funds*.

Registrants must take care to ensure that all applicable securities regulatory filings are filed in accordance with their specified timelines in the event of a change in share ownership of a registered firm, or an acquisition of its assets.

Finally, NI 31-103 Proposed Amendments include proposed amendments that will streamline and clarify the filing requirements for notices under sections 11.9 and 11.10 of NI 31-103. For further information about these amendments, see sections 1.1 and 4.1 d) (i) of this report.

c) Current trends in deficiencies and acceptable practices

In this section, we summarize key trends in deficiencies from recent compliance reviews of EMDs, PMs, and IFMs. For each deficiency, we summarize the applicable requirements under Ontario securities law which must be followed. In addition, where applicable, we provide acceptable and unacceptable practices relating to the deficiency discussed. *The acceptable and unacceptable practices throughout this report are intended to give guidance to help registrants address the deficiencies, and provide our expectations of registrants. While the best practices set out in this report are intended to present acceptable methods registrants can use to prevent or rectify a deficiency, they are not the only acceptable methods. Registrants may use alternative methods, provided those methods adequately demonstrate that registrants have met their responsibility under the spirit and letter of securities law.*

We strongly recommend registrants review the deficiencies and suggested practices in this report that apply to their registration categories and operations to assess and, as needed, implement enhancements to their compliance systems and internal controls.

(i) Non-compliance with KYC, KYP and suitability requirements and accredited investor requirements

We continue to have concerns that some dealers and advisers are not adequately meeting their KYC, KYP and suitability obligations. We also remain concerned that some EMDs are

selling securities to investors that do not qualify under a prospectus exemption (such as the accredited investor exemption).

On January 9, 2014, we published CSA Staff Notice 31-336 - *Guidance for Portfolio Managers, Exempt Market Dealers and Other Registrants on the Know-Your-Client, Know-Your-Product and Suitability Obligations* (CSA Staff Notice 31-336).

The notice provides additional guidance to registrants in the areas of KYC, KYP and suitability obligations and sets out our expectations of registrants on how to comply with these important regulatory requirements. In particular, we expect registrants to take extra care in complying with their KYC, KYP and suitability obligations when dealing with clients who are seniors or those who may be in a position of vulnerability. Some of the suggested practices and unacceptable practices are highlighted below:

Suggested practices to adequately address KYC, KYP, suitability and accredited investor requirements

Registrants must:

- Engage in a meaningful discussion with clients to obtain a solid understanding of the client's personal and financial circumstances.
- Update KYC information at least annually or more often if there is a significant change to the client's life circumstances or a significant change in market conditions.
- Conduct product due diligence and be able to explain clearly to clients a security's risks, key features, any conflicts of interest and initial and ongoing costs and fees.
- Maintain adequate documentation to support the suitability analysis of each trade and be able to explain to clients how the proposed investment strategy is suitable for the client and how it aligns with their investment needs and objectives.

Unacceptable practices

Registrants must not:

- Delegate KYC and the suitability obligation to an unregistered individual.
- Solely ask the clients to "tick a box" that best describes their investment objectives or risk tolerance without engaging in a discussion with the clients about their personal and financial circumstances.
- Fail to fully understand the structure and features of products before recommending them to clients.

We strongly encourage our registrants to use CSA Staff Notice 31-336 as a self-assessment tool to strengthen their compliance and to improve their systems of internal control and supervision.

(ii) Written policies and procedures are not tailored to a registrant's operations

During our reviews of newly registered IFM firms (see section 4.4 c)) for additional information), we noted instances where some firms did not have a written policies and procedures manual that was tailored to their operations and did not adequately cover the processes and procedures that a firm should have in place to establish an adequate compliance system.

To meet the requirements of section 11.1 of NI 31-103, we expect firms to establish, maintain and apply policies and procedures that are tailored to their respective business operations in order to establish a system of controls and supervision to ensure compliance with securities law and to manage the risks associated with their business in accordance with prudent business practices.

Part 11 of 31-103CP provides guidance on the content and maintenance of written policies and procedures. We also expect firms to have a process in place to ensure that written policies and procedures are regularly updated for changes in the firm's business operations, industry practice and securities law.

Suggested practices to adequately tailor written policies and procedures to a registrant's operations

Registrants must:

- Develop and enforce policies and procedures that are applicable to their firm's business operations.
- Develop policies and procedures that are sufficiently detailed and cover areas relevant to a firm's business operations.
- Provide adequate training to all employees to ensure that employees understand the established policies and procedures and understand how to incorporate them in their daily business activities.
- Review the written policies and procedures on a frequent basis to confirm that the policies and procedures are current and adequately reflect the firm's business

operations, industry practice and securities law.
- Remove sections from a policies and procedures manual that are not applicable to the firm's operations.
- Add sections to a policies and procedures manual that are specific to the firm's operations.

Unacceptable practices

Registrants must not:

- Use a template of written policies and procedures provided by another firm or a consultant without reviewing and tailoring the template to the firm's operations and security law obligations.

Section 11.1 of NI 31-103 requires you to establish, maintain and apply policies and procedures that establish a system of controls and supervision to ensure compliance with securities law and manage the risks associated with your business in accordance with prudent business practices. You must also have processes in place to ensure that your written policies and procedures are regularly updated, such as for changes in your business practice, industry practice or securities law.

Please refer to Part 11 of 31-103CP, under the heading "Detailed policies and procedures", for guidance on the content, accessibility and maintenance of written policies and procedures.

(iii) Inadequate insurance coverage

Some IFMs that were part of the newly registered IFM reviews (discussed in section 4.4 b) of this report) did not maintain an adequate financial institution bond (FIB). In these cases, the FIB provided insurance coverage for the benefit plan of the firm's employees under the same insurance rider maintained by the firm to meet its obligations under section 12.6 of NI 31-103. Although this coverage is not offside securities law, the FIB did not include specific provisions to ensure that the claims made by and paid in relation to the employee benefit plan would not affect the limits or coverage applicable to the firm under the FIB.

We also noted that the firms that had this type of insurance coverage in place were not aware of the affect that the coverage could have on the limits available to the firm under the FIB.

Section 12.6 of NI 31-103 prohibits a firm from maintaining bonding or insurance that benefits, or names as an insured, another person or company unless certain conditions are met. One of these conditions is that the individual or aggregate limits under the FIB may only be affected by claims made by or on behalf of the firm or the firm's subsidiary whose financial results are consolidated with the firm's. Additional guidance related to this issue is also found in section 12.6 of 31-103CP.

There is a risk of harm to investors when a firm is not adequately meeting its insurance requirements. The requirement to maintain insurance exists to protect investors in the case of adverse circumstances.

Suggested practices to maintain adequate insurance coverage

Registrants must:

- Carefully read all sections of the insurance policy and understand the firm's insurance coverage.
- Fully understand the implications of insuring additional entities under the FIB on the limits available to the firm.
- Verify by reviewing the insurance policy that the limits available to the firm will not be affected by also insuring other entities and confirm this with the insurance provider.
- Confirm that the insurance coverage in place meets securities law requirements at all times.
- Have written policies and procedures in place to make sure that the insurance policy is regularly reviewed and approved for all of the above and for compliance with securities law.

Unacceptable practices

Registrants must not:

- Solely rely on their insurance provider to use a template insurance policy and FIB to meet the insurance requirements under Division 2 of NI 31-103.
- Sign off on an insurance policy without carefully reading the policy and understanding

all of the implications to the firm's coverage by providing coverage to other entities.

(iv) Repeat common deficiencies

The following includes the deficiencies that we continue to find in reviews of our registrants that have been reported on in previous annual reports and prior guidance. We encourage you to review the information sources provided as the previously published guidance is still applicable to these issues.

Repeat common deficiency	Information source
1) Inadequate compliance system and UDP and CCO not meeting their responsibilities	• Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Inadequate compliance systems and UDPs and CCOs not meeting their requirements* • Section 11.1 of 31-103CP • May 2012 OSC e-mail blast to CCOs and UDPs on Inadequate Compliance Systems
2) Inadequate or no annual compliance report	• Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Inadequate or no annual compliance report* • Section 5.1.2 in OSC Staff Notice 33-738 under the heading *Failure by CCO to submit an annual compliance report*
3) Inaccurate calculations of excess working capital	• Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Inaccurate calculations of excess working capital*
4) Insufficient working capital and failure to report capital deficiency	• Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Insufficient working capital and failure to report capital deficiency*
5) Inadequate relationship disclosure information	• Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Inadequate relationship disclosure information* • CSA Staff Notice 31-334 - *CSA Review of Relationship Disclosure Practices*

6) Incorrect calculation of capital markets participation fees	• Section 4.1.2 in OSC Staff Notice 33-742 under the heading *Incorrect calculation of capital markets participation fees* • Section 3.5 of OSC Staff Notice 33-742 under the heading *Amendments to calculation of capital markets participation fees* • OSC Staff Notice 33-741 - *Report on the Results of the Reviews of Capital Markets Participation Fees*

d) Proposed rules and initiatives impacting all registrants

(i) NI 31-103 Proposed Amendments

The following chart provides a high level overview of the NI 31-103 Proposed Amendments to requirements that impact all registrants.

Proposed amendment[9]	Topic	Purpose
Sub-sections 8.0, 8.22.2 and 8.26.2 of NI 31-103	Availability of exemptions to registered firms ["prohibition on concurrent reliance"]	To ensure that registration exemptions are applied in a harmonized fashion across the CSA by ensuring that all activities undertaken by a registered firm are conducted by the firm pursuant to its registration, and not in reliance on an exemption available in Part 8 of NI 31-103.
Section 12.2 of NI 31-103	Subordination agreement	To clarify registered firms' obligations in deducting non-current related party debt from their working capital and delivery

[9] Subject to change and final approval

		obligations regarding subordination agreements.
Form 31-103F1 - *Calculation of excess working capital*	Margin rate applicable to US money market funds when calculating a registered firm's working capital	To codify discretionary exemptive relief granted to certain US based registered firms.
Sections 1.3, 11.9 and 11.10 of NI 31-103	Clarify sections 11.9 and 11.10 (acquisitions of a registered firm's securities or assets)	To provide increased clarity to industry regarding when notices must be filed and to streamline the filing process.
Section 1.3 of 31-103CP	Securities issuers guidance in 31-103CP	To incorporate internal guidance on the application of the business trigger for issuers at the start-up stage.

For additional information refer to section 1.1 in this report.

(ii) Mandatory electronic delivery of documents to the OSC

Effective February 19, 2014, OSC Rule 11-501 *Electronic Delivery of Documents to the Ontario Securities Commission and Consequential Policy Amendments* (OSC Rule 11-501) required certain documents identified under Ontario's securities law, that were previously filed with the Commission in paper format, to be delivered electronically through the OSC's filing portal page. The new requirements include documents associated with forms, notices and other materials required under Ontario's securities law that are not already filed through the National Registration Database (NRD).

Each required document must be delivered to the OSC electronically in accordance with instructions on the OSC's website. For registered firms and exempt international firms, a list of these documents and submission methods can be found on the OSC's website.

For certain filings where a fee is due with the filing, payment may be made via NRD, cheque or submitted electronically (e.g. debit/credit/wire transfer). See further instructions on paying registrant-related fees.

For further filing instructions in Ontario, see OSC's electronic filing portal. For more information see OSC Rule 11-501.

e) Fees

(i) Capital markets participation fees

Each year, registered firms, exempt international firms and unregistered IFMs are required to pay participation fees to the OSC based on the firm's revenues attributable to their capital markets activities in Ontario.

The Fees Rule requires registered firms, exempt international firms relying on sections 8.18 [international dealer] and 8.26 [international adviser] of NI 31- 103 and unregistered IFMs to complete Form 13-502F4 *Capital Markets Participation Fees* (Form 13-502F4) based on information from their financial statements for their "reference fiscal year".

Ongoing review of capital markets participation fees

We conducted a review of the 2013 capital markets participation fees for one hundred and twenty-three firms that were submitted to the OSC under the Fees Rule using Form 13-502F4. In addition, we identified over seven hundred firms that calculated the participation fees using the incorrect "reference fiscal year".

If the firm was registered or relying on an exemption from registration under the Act at the end of its last fiscal year ending before May 1, 2012, the "reference fiscal year" used to calculate participation fees is the firm's last fiscal year ending before May 1, 2012. Most firms will fit in this category.

For all other firms, the "reference fiscal year" used to calculate participation fees is their last fiscal year ending in the calendar year. For specific examples of how to apply the "reference fiscal year" concept, see the e-mail sent to all firms on November 30, 2013.

Also refer to section 4.1 c) (iv) 6) on *Incorrect calculation of capital markets participation fees* in this report for additional information.

We will continue to review capital markets participation fees on an ongoing basis.

2014 Capital Markets Participation Fees

Firms are required to continue using the "reference fiscal year" concept to complete Form 13-502F4 due no later than December 1, 2014 (i.e. same fiscal reference year as that used for their 2013 calculation). For unregistered IFMs only, Form 13-502F4, along with the participation fee, are due no later than 90 days after the end of their fiscal year.

All firms are required to complete the participation fee calculation electronically through the OSC website. The participation fee calculation can be accessed through the OSC's website.

Capital markets participation fee relief

On February 20, 2014, the OSC published OSC Staff Notice 13-704 *Applications for Participation Fee Relief for Certain Small Registered Firms and Reporting Issuers* (the Fee Relief Notice).

A total of twenty-one registered firms that applied by the deadline and met the criteria outlined in the Fee Relief Notice, were granted a one-time 50% refund (or reduction) of their participation fee, subject to payment of the minimum participation fee of $800.

For more information, see OSC Staff Notice 13-704.

For additional information on fees, see the Fees Rule.

(ii) Amendments to capital markets participation fees

Amendments are currently being made to the Fees Rule. These amendments were published for comment on September 18, 2014 and can be found under *Proposed Amendments to OSC Rule 13-502 Fees and Companion Policy 13-502CP Fees*. The amendments do not apply to the calculation and payment of the 2014 capital markets participation fees.

f) Conflicts of interest

A registered firm is responsible for having a compliance system that promotes compliance by the firm and its individuals with securities law. Registrants often encounter conflict of interest situations during their daily operational activities. A conflict of interest is any circumstance where the interests of different parties, such as the interests of a client and those of a registrant, are inconsistent or divergent. Registered firms are responsible for identifying and appropriately responding to any conflicts of interest under Part 13 of NI 31-103. In this section, we highlight common conflict of interest situations noted for each registration category and provide suggestions on how to address these conflict of interest issues.

(i) EMD related conflicts of interest:

We continue to have significant concerns with EMDs that trade in, or recommend, the products of related and/or connected issuers (often referred to as "related party products"), particularly those EMDs that trade *solely* in these products[10]. Material conflicts of interest arise with these relationships, in large part due to the lack of separation between the mind and management of the EMD and the issuer.

Simply disclosing this conflict of interest to investors (e.g., providing the information required by National Instrument 33-105 *Underwriting Conflicts* (NI 33-105) is not acceptable. The conflict of interest may need to be (1) avoided because the risk of harming a client or the integrity of the markets is too high or (2) controlled, for instance through the establishment of an independent review committee (IRC) and the provision of the issuer's audited financial statements.

EMDs that trade in, or recommend, related party products are not exempt from registrant obligations, including those relating to KYC, KYP and suitability (refer to section 4.1 c)(i) and section 4.2 a)(ii) in this report for a discussion of an EMDs' KYC, KYP and suitability obligations). We continue to take corrective action, including suspension or sanctions or

[10] Significant deficiencies that we have continued to identify include misappropriation of investor funds; concealment of poor financial condition of related and/or connected issuer; sale of unsuitable, high-risk investments to investors; and high investment concentration in related party products.

referrals to the Enforcement Branch, against EMDs that do not comply with applicable securities law requirements.

We continue to work toward our policy objective of increasing investor protection and deterring the misuse of investor funds by registrants and their related and/or connected issuers. In the interim, we have issued the Questionnaire (see section 4.1 a) (ii) of this report) that includes questions to aid us in identifying EMDs with significant conflicts in their business models.

Acceptable practices to deal with conflicts of interest

EMDs are encouraged to:

- Avoid conflicts of interest that are contrary to the interests of investors. In some situations, controls and/or disclosure are not appropriate responses to these conflicts.
- Ensure organizational structures, lines of reporting and physical locations will enable the firm to control these risks and conflicts of interest effectively.
- Provide specific and clear disclosure to investors about the relationships that raise potential conflicts so that investors can assess the conflict and ask appropriate questions if needed. Refer to OSC Staff Notice 33-742 under the sections titled "Conflicts of interest when selling securities of related or connected issuers" and "Inadequate disclosure of conflicts of interest" for more detailed guidance.

Unacceptable practices

EMDs must not:

- Assume that disclosure of the conflict of interest is sufficient, without avoiding or controlling the conflict as needed.
- Assume that the firm is exempt from registrant obligations by virtue of its related and/or connected issuer relationship.
- When disclosing the conflict of interest, provide generic, partial or overly detailed or complex disclosure, or rely on previous disclosure that may not be up to date or timely.

(ii) IFM related conflicts of interest:

We generally see two types of conflicts that arise in the operation of an investment fund:

- ***Operational conflicts*** – those relating to the operation by the fund manager of its investment funds that are not specifically regulated under securities law, except through the standard of care imposed on the fund manager under section 116 of the Act and the general conflict of interest requirements in Part 13 of NI 31-103
- ***Structural conflicts*** – those resulting from proposed transactions by the IFM with related entities of the IFM, investment fund or PM currently prohibited or restricted by securities law.

For investment funds that are reporting issuers, IFMs are required to comply with the requirements of National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81-107). The conflict of interest provisions provided in NI 31-103 do not apply to investment funds that are subject to NI 81-107. The type of conflicts of interest that arise with investment funds that are reporting issuers can also apply to private investment funds that are not reporting issuers since public and private investment funds have similar operational areas and functions. As a result, we often turn to the conflicts of interest addressed by NI 81-107 and the methods used to deal with these conflicts as a guide on managing conflicts of interest for private investment funds as well.

Some of the operational conflicts of interest that arise with IFMs and the investment funds they manage, include, but are not limited to the following:

- ***Fund Valuation*** – if an IFM receives a performance fee that is based on the assets under management of the fund it manages, there is a conflict of interest if the IFM is also solely responsible for valuing the assets of the fund
- ***Net Asset Value (NAV)/Error Correction*** – conflicts of interest can arisse through an IFMs obligation to monitor NAV errors and reimburse investment funds that are affected by a NAV error.

An example of a structural conflict of interest that may arise with IFMs and the investment funds they manage, include, but are not limited to the following:

- ***Fund on Fund Arrangements*** - if a registered firm acts in the capacity of IFM for both a top and bottom fund in a fund of fund arrangement, there is a potential conflict of interest in the IFM meeting its best interest standard under section 116 of

the Act for both investment funds in ensuring that the best interests of both funds are not compromised by the IFMs actions for one fund versus another.

A comprehensive, but not an exhaustive list of the type of conflict of interest situations that may arise can be found in section 2.3 of OSC Staff Notice 81-713 *Focussed Disclosure Review – National Instrument 81-107 Independent Review Committee for Investment Funds*.

Suggested practices to address conflicts of interest

IFMs must:

- Assess the IFMs operations and daily interaction with the investment funds to identify conflicts of interest that may arise.
- Establish written policies and procedures to identify and respond to material conflicts of interest between the IFM and the investment funds managed.
- Adequately respond to each conflict of interest that arises by either:
  - avoiding the conflict,
  - controlling the conflict, and
  - disclosing the conflict.
- Disclose, in a timely manner, the nature and extent of a conflict of interest to fund investors to allow them to make an informed investment decision.
- Establish standing instructions reviewed and approved by the IRC.
- Review standing instructions on a regular basis and update the IRC as required.
- Consult the IRC in situations where a standing instruction does not exist and even in variations to a situation where a standing instruction does exist.

IFMs are encouraged to:

- Consult the IRC (if the IFM has an IRC) for conflict of interest matters that arise in investment funds that are not reporting issuers; many IFMs have an IRC established for their reporting issuer investment funds, and also use the IRC for conflict of interest matters that arise with the private investment funds managed.

Unacceptable practices

IFMs must not:

- Enter into conflict of interest situations that result in a benefit to the IFM at the expense of the fund and its investors. In these circumstances, the IFM must avoid the conflict entirely. Disclosure and control of a conflict of interest situation that is

detrimental to a fund and its unitholders is not an acceptable method to deal with a detrimental conflict of interest.

(iii) PM related conflicts of interest:

We generally see two types of conflicts of interest that arise for PMs when dealing with their clients:

- ***Competing PM and client interests*** – where the interests of the PM are not aligned with the interests of its clients
- ***Competing client interests*** – where the interests of a client of the PM are not aligned with the interests of another client of the PM.

PM/client conflicts

Some transactions that cause conflicts of interest between PMs and their clients are prohibited. Subsection 13.5(2)(b) of NI 31-103 provides further details, however examples include:

- ***Restricted Trades*** - A PM must not knowingly cause a managed account of a client[11] to purchase or sell a security from or to another managed account, of the PM or an officer of the PM
- ***Personal trading*** – employees or other individuals at PMs that have access to clients' trading and investment information (Access Persons) must not use the information for their personal gain.

Some activities that create conflicts of interest between PMs and their clients are permitted, provided that the PM responds appropriately to the conflict of interest. Appropriate responses include control and/or disclosure of the conflicts of interest. Such activities include, but are not limited to:

- ***Use of client brokerage commissions*** – PMs direct trades involving clients' brokerage commissions to a dealer and receive goods and services (e.g. research reports) from the dealer or a third party.

A PM using client brokerage commissions has to comply with National Instrument 23-102 *Use of Client Brokerage Commissions* (NI 23-102), which states that PMs must:

[11] Including investment funds for which the PM acts as an adviser.

- only direct trades involving clients' brokerage commissions to a dealer in return for order execution and research goods and services provided by the dealer or a third party,
- ensure that the goods or services are used to assist with investment or trading decisions, or with effecting securities transactions, on behalf of clients,
- make a good faith determination that clients receive a reasonable benefit considering the use of the goods or services and the amount of client brokerage commissions paid, and
- disclose specific information[12] to a client on their use of client brokerage commissions of that client that have been or might be directed to a dealer in return for goods or services.

Suggested practices to address conflicts of interest related to PM and client services

PMs must:

- Make a reasonable allocation for using client brokerage commissions to pay for "mixed-use" items according to the use of the goods or services.
- Maintain records of the analysis conducted to determine the allocation for using client brokerage commissions to pay for "mixed use" items.
- Establish, maintain and apply written personal trading policies and procedures for their Access Persons[13].
- Maintain records of personal trade pre-approvals and personal trading records of Access Persons.
- Assess compliance with the personal trading policies as part of the CCO's annual compliance report to the board.

Unacceptable practices

PMs must not:

- Use client brokerage commissions to pay for goods and services that relate to the overhead associated with the operation of the PM's business. Examples of non-permitted goods and services that should not be paid with client brokerage

[12] See section 4.1 of NI 23-102, Part 5 of the Companion Policy to NI 23-102 and section 5.2 of OSC Staff Notice 33-736 - 2011 Annual Summary Report for Dealers, Advisers and Investment Fund Managers for more details of disclosure obligations to clients.
[13] See section 4.3.1 of OSC Staff Notice 33-742 for more details of what to include in a PM's personal trading policy.

commissions include office furniture and equipment, and trading surveillance or compliance systems.

- Receive Access Persons' personal trading records from the Access Persons. PMs should require direct receipt of Access Persons' personal trading records (such as account statements) from the Access Persons' brokers.

Competing interests of clients

PMs need to manage conflicts of interest where the interests of a client of the PM are not aligned with the interests of another client. Examples include:

- ***Allocation of investment opportunities*** – an investment opportunity may be suitable for a number of clients of a PM, but may be of limited supply, forcing the PM to allocate the trade among client accounts. A PM must deliver a summary of its policy to ensure fairness in allocating investment opportunities (Fairness Policy)[14] to its clients when it opens an account for the client and when there has been a significant change to the summary previously delivered
- ***Trades between client accounts*** – the sale of a security from one client's account to another client's account may not be in the best interest of both clients involved.

Suggested practices to manage competing interests of clients

PMs must:

- Allocate suitable investment opportunities to their clients using a systematic and fair process, for example using a pro-rata, rotational or statistically random allocation methodology.
- Establish policies and procedures for executing trades between client accounts, including the review and approval, pricing, execution cost, and execution through a dealer of trades between client accounts.

Unacceptable practices

PMs should not:

- Consistently allocate investment opportunities in favor of one client or group of clients over others, for example, allocation to clients with a smaller portfolio size, or to clients whose portfolios are underperforming.

[14] See section 14.10 of 31-103CP and OSC Staff Notice 33-738 for more details of what to include in a PM's Fairness Policy.

- Justify unfair allocation of investment opportunities by disclosing the practice to clients.
- State in their fairness policy that judgment is used to allocate investments. A fairness policy should be sufficiently objective and specific to permit independent verification of the fairness of the allocation.
- Knowingly direct a trade in portfolio securities from one investment fund to another investment fund (inter-fund trades) unless these trades are approved by the investment funds' IRC and the trades comply with other prescribed conditions under section 6.1 of NI 81-107[15]. PMs should take particular care when directing trades for investment funds for the same portfolio security, but in opposing directions (i.e. buy and sell) at the same time and to the same broker, to ensure they are not knowingly causing inter-fund trades.

4.2 Dealers (EMDs and SPDs)

This section contains information specific to EMDs and SPDs, including current trends in deficiencies from compliance reviews of EMDs (and acceptable practices to address them), an update on the results of the SPD reviews, and new and proposed rules and initiatives.

a) Current trends in deficiencies and acceptable practices

Our EMD reviews continued to focus on areas that we found to be problematic in recent years, and also focused on large EMD firms with branches and sales representatives across the country. The areas of focus included:

- maintaining adequate compliance and supervision systems, including the UDP and CCO performing their responsibilities,
- identifying and responding to conflicts of interest,
- adequate collection and documentation of KYC information and assessing the suitability of trades,
- sufficient product review process and knowledge of products recommended, by both the firm and the individual dealing representatives (KYP), and
- fair sales and marketing practices, including how referral arrangements are used in the sales process.

We will continue to focus our compliance resources on these areas.

[15] Also, see section 13.5 of 31-103CP, under the heading "Restrictions on trades with certain investment portfolios", for further guidance.

In addition to the deficiencies included in CSA Staff Notice 31-336 (see section 4.1 c)(i)) the following are trends in deficiencies and other areas of concern identified during this year's reviews of EMDs. Where applicable, we also highlight recent regulatory proceedings brought against EMDs to demonstrate our response when we identify registrant misconduct and the consequences to EMDs that fail to comply with securities law.

(i) Ineffective compliance systems

We continue to find firms that do not maintain an adequate compliance system and firms where the UDP and CCO are not meeting their responsibilities. This is most evident amongst EMDs that distribute related party products (e.g. securities of related or connected issuers), where the same individuals form the management of both the EMD and the issuer. We found significant compliance issues across many areas including:

- failure to address and respond to material conflicts of interests, particularly with respect to handling of conflicts of interest between the firm and the related party products being sold,
- allowing non-registered entities and individuals to trade on the firm's behalf without appropriate registration,
- selling of securities of related party products when they were not suitable and permitting high investment concentration in related issuers, and
- insufficient product review process by the dealer prior to distribution, including relying on an issuer's own analysis.

There were serious consequences to firms who had deficiencies of this nature and we took appropriate regulatory action including recommendations for suspension of the firm's registration or referrals to Enforcement. See section 5.1 of this report in relation to registrant misconduct cases.

Registrants are required to maintain internal controls and a sufficient supervisory system to ensure compliance with securities law and to manage business risks (see section 32(2) of the Act and section 11.1 of NI 31-103). A firm's UDP and CCO have extremely important compliance roles. They are ultimately responsible for ensuring that a compliance system is in place to ensure that the firm, and its representatives, comply with securities law. It is critical that they understand and fulfill their required responsibilities and roles under sections 5.1 and 5.2 of NI 31-103.

See section 4.1 c) (iv)(1) of this report for more information.

(ii) Failure to conduct sufficient and/or independent assessment of products

We continue to identify a number of firms that are not performing a sufficient assessment of the issuers/products they are distributing. We noted deficiencies in the following areas:

- failure to perform sufficient due diligence on the issuer being distributed, including failure to obtain financial statements or other financial information related to the issuer and failing to understand the key features of the issuer (e.g. risks, redemption features),
- failure to perform background checks on the issuer, its principals and where applicable the underlying business operations of the issuer,
- performing due diligence on the issuer only after distributing units of the issuer to clients of the firm, and
- relying solely on a third party due diligence assessment of the issuer (e.g. without independently reviewing the facts or the assumptions built into the assessment).

Registered firms are required to ensure that, before they make a recommendation or accept a client's instruction to buy or sell a security, the purchase or sale is suitable for the client (see section 13.3(1) of NI 31-103). To meet this suitability obligation, registrants should have an in-depth knowledge of all products they sell or recommend to clients and be able to explain to their clients the product's risks, key features, initial and ongoing costs and fees and other relevant information. Registrants are required to have conducted sufficient due diligence on the issuer prior to soliciting any clients or distributing securities of the issuer.

For further guidance on meeting KYP and suitability obligations, please refer to CSA Staff Notice 31-336 and CSA Staff Notice 33-315 – *Suitability Obligation and Know Your Product*.

Acceptable practices to conduct a KYP assessment

EMDs must:

- Perform sufficient due diligence on an issuer prior to recommending the security to clients.

- Understand the key features, financial information, and product risks of the security and be able to explain them to their clients.
- Analyze and review any third party assessment of the issuer for completeness, reasonableness and accuracy.

Unacceptable practices

EMDs must not:

- Wait to perform due diligence of an issuer after beginning to distribute its securities to clients.
- Rely solely on the issuer's information or third parties to fulfill their KYP obligation, e.g. information in the offering memorandum.
- Recommend or sell a product without understanding the product's risk and key features.

(iii) Referral arrangements and finders

Referral arrangements[16] entered into by EMDs must comply with securities law requirements, including those in Part 13, Division 3 of NI 31-103. These requirements include:

- that referral arrangements must be set out in a written agreement,
- all referral fees[17] must be recorded,
- clients must receive specified written disclosure, and
- an EMD must not refer a client to a person or company unless it first takes reasonable steps to ensure that the person or company is appropriately qualified and/or registered.

Firms must monitor and supervise all referral arrangements. Although dealing representatives can be parties to referral agreements, the registered firm itself must be a party, since it must be aware of the agreement in order to ensure compliance with applicable requirements. The obligation to monitor and supervise compliance continues for as long as the referral arrangement is in place.

[16] Any arrangement in which a registrant agrees to pay or receive a referral fee.
[17] Any form of direct or indirect compensation for the referral of a client to or from a registrant.

A client that is referred to an EMD becomes that EMD's client for the purposes of the services provided under the referral arrangement. As a result the EMD must meet all of its registrant obligations, including those relating to KYC, KYP and suitability. Refer to section 4.1 c) (i) and section 4.2 a) (ii) of this report for a discussion on an EMD's KYC, KYP and suitability obligations. An EMD must also address conflicts of interest arising from the referral arrangement.

We understand that some finders inappropriately rely on section 8.5 of NI 31-103, which provides an exemption from the dealer registration requirement if a trade is made solely through a registered dealer. If a finder is "in the business of trading", as a result of it frequently or regularly contacting prospective investors, it cannot rely on this exemption and must be appropriately registered.

Acceptable practices to adequately address referral arrangements

EMDs must:

- Ensure that all parties to referral arrangements are registered, if required, including finders.
- Ensure that the roles and responsibilities of the parties to the written agreement are clear.
- Provide clients with disclosure about the referral arrangement to help them evaluate the arrangement, including any potential conflicts of interest. This disclosure must be provided before or at the time the referred services are provided.
- Manage conflicts of interest that arise from the referral arrangement in accordance with Part 13, Division 2 of NI 31-103.

Unacceptable practices

EMDs must not:

- Interpret "referral arrangement" and "referral fee" narrowly, since NI 31-103 defines these terms broadly.
- Overlook unreasonably high referral fees that could motivate dealing representatives to act contrary to their duties towards clients.
- Use a referral arrangement to assign, contract out of or otherwise avoid its regulatory obligations (e.g. by using an unregistered finder to contact potential investors, instead of a properly registered dealing representative).

- Assume that registrant obligations can be reduced by contracting with unregistered individuals or firms through a referral arrangement.

b) Charitable donation/taxable donation tax schemes

We remind market participants that tax shelter products, including ones that involve leveraged donations of property (for instance, artwork and medical supplies) to charities and ones that are marketed to investors on the basis of tax credits or deductions that are claimed to be available, are typically considered "securities" as defined in subsection 1(1) of the Act.

Consistent with the recent decision of the Alberta Court of Appeal Re Synergy Group[18], these arrangements typically constitute securities on one or more grounds, including that they are "investment contracts". Accordingly, we expect promoters and distributors of these products to comply with the necessary registration, disclosure and other Ontario securities law requirements.

When we review these products, to determine whether they are (1) securities and (2) suitable investments for investors, we will consider factors that include:

- Clients' objectives in participating. For example, in the case of a leveraged donation of property, is the client genuinely seeking to contribute to the charity or is the client seeking a financial return (and, therefore, making an investment decision)?
- If tax credits or deductions are being marketed to clients, what is the basis for doing so? For example, is there a legal opinion – and, if so, is it addressed to the clients or to the promoter/distributor? How is the quantum of these tax credits or deductions valued?
- Does the product have a tax shelter number for identification by the Canada Revenue Agency (CRA)?
- Has the CRA previously challenged the claims or deductions of clients in similar tax shelter arrangements or tax shelter arrangements facilitated by the same promoter/distributor of the current arrangement?
- Has the promoter/distributor been involved in any regulatory and/or legal proceedings involving the tax status of a similar arrangement?

[18] Synergy Group (2000) Inc. v. Alberta (Securities Commission), 2011 ABCA 194 (June 28, 2011).

We remind registrants to carefully consider their KYC, KYP and suitability obligations when promoting and selling tax shelter products. Refer to section 4.1 c) (i) and section 4.2 a) (ii) of this report for a discussion on an EMD's KYC, KYP and suitability obligations.

A number of promoters and distributors have marketed tax shelter products to investors using misleading claims, for instance regarding the availability of financial returns, while at the same time disclaiming responsibility for such claims. The CRA has recently challenged claims for tax credits or deductions by investors in these tax shelter products and we understand that the Royal Canadian Mounted Police has issued warnings stating that certain tax shelter products appear to be fraudulent.

We will continue to conduct reviews, including onsite compliance reviews, of entities promoting and/or distributing tax shelter products. Where necessary, we will take corrective action, including suspension, sanctions and referrals to the Enforcement Branch.

c) Update on results of SPD reviews

As noted in section 5.3.1 of OSC Staff Notice 33-738 and section 4.2.2 of OSC Staff Notice 33-742 we conducted compliance reviews in 2011 of the five firms solely registered in the category of SPD. We referred four of these SPDs to our Enforcement Branch after identifying serious concerns with their compliance systems and sales practices.

Regulatory proceedings were brought against the four SPDs in response to significant non-compliance by the firms. In order to address our investor protection concerns, interim T&Cs on their registration were imposed by the Commission on consent of each of Children's Education Funds Inc., Global RESP Corporation, Heritage Education Funds Inc. and Knowledge First Financial Inc. Please see Section 4.2.2 of OSC Staff Notice 33-742 for more information about the key T&Cs that were imposed by temporary orders on these registrants.

The proceedings against the SPDs have been concluded and all four of the temporary orders have been revoked. In addition, separate settlement agreements were reached with each of the four SPDs in which they acknowledged that changes were required to strengthen their respective compliance systems so as to better serve the public interest.

All public information involving the SPDs is available on the OSC's website under All Commission Proceedings.

d) New and proposed rules and initiatives impacting dealers

(i) NI 31-103 Proposed Amendments for dealers

The following chart provides a high level overview of the NI 31-103 Proposed Amendments to requirements that impact dealers.

Proposed amendment[19]	Topic	Purpose
Sections 3.6, 3.8 and 3.10 of NI 31-103	Dealers CCO proficiency in NI 31-103 and 31-103CP	To introduce an experience requirement for dealer CCOs.
Section 7.1 of NI 31-103 and 31-103CP	"Foreign Broker Dealer" project	To prohibit EMDs from executing trades of securities on or off a marketplace or giving instructions to execute trades of securities on a marketplace (including by establishing omnibus accounts with investment dealers and trading for their clients through that account). To clarify that EMDs may only underwrite securities in limited circumstances.
Section 8.5 of NI 31-103	Trades through or to a registered dealer	To achieve a harmonized interpretation of section 8.5 and to clarify that this exemption is not available if the person relying on the exemption solicits or contacts any person or company that is a purchaser in relation to the trade.
Subsection	Trades through a registered	To add an exemption from the

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8.5.1 of NI 31-103	dealer by registered adviser	dealer registration requirement for registered advisers in order to clarify that incidental trading activities by advisers do not require registration as a dealer, provided the trades are executed through a registered dealer.
Section 8.18 of NI 31-103	International dealer exemption	To revert back to the less restrictive "permitted client" conditions in this exemption that were in force prior to July 11, 2011.

For additional information, refer to section 1.1 in this report.

e) EMDs and direct electronic access

We remind EMDs that they are prohibited from using direct electronic access (DEA) under National Instrument 23-103 *Electronic Trading* (NI 23-103), which came into effect on March 1, 2013[20]. For additional information, refer to the unofficial consolidation of National Instrument 23-103 and its companion policy published on March 1, 2014. The CSA continue to be of the view that only dealers that are members of IIROC and subject to the Universal Market Integrity Rules (UMIR) are permitted to use DEA. However, a firm registered as both an EMD and a PM is permitted to use DEA, provided that it is only using DEA in its capacity as a PM for its managed account clients.

Please refer to section 5.2 (e) in OSC Staff Notice 33-736 - 2011 Annual Summary Report for Dealers, Advisers and Investment Fund Managers (OSC Staff Notice 33-736) under the heading *New and proposed rules impacting portfolio managers – Direct electronic access* and section 5.4(c) under the heading *New and proposed rules impacting exempt market dealers – Direct electronic access (DEA)* for a previous discussion on this topic. Please also refer to IIROC Dealer Member Rules and UMIR for additional information.

f) Review of prospectus exemptions

See section 1.2 of this report for a discussion on the review of prospectus exemptions.

[20] Amendments to NI 23-103 came into effect on March 1, 2014.

g) Permitted activities in EMD category

See sections 1.1 and 4.2 d)(i) of this report for a discussion of the proposed amendments relating to the permitted activities for EMDs as outlined in Section 7.1(d) of NI 31-103 and Section 7.1 of 31-103CP.

h) Proposed amendments to NI 33-105

In November 2013, the CSA published for comment (now closed) proposed amendments to NI 33-105. The amendments would, if adopted, provide exemptions from certain disclosure requirements in NI 33-105 that would otherwise apply to certain private placements of foreign securities to permitted clients (generally institutional investors) in Canada.

The purpose of the proposed amendments is to eliminate the need to prepare a "wrapper" when a foreign issuer offers securities in Canada to permitted clients under a prospectus exemption. A wrapper contains prescribed Canadian disclosure and other optional disclosure that is attached to the face of the foreign offering document.
The proposed amendments are intended to streamline the process for offering foreign securities to institutional investors in Canada, and are intended to codify for all market participants certain exemptive relief that was granted to certain international dealers in the decision *Re Barclays Capital Inc.* dated April 23, 2014.

The comment period for the request for comments expired in February 2014. OSC staff in consultation with staff in the other CSA jurisdictions are currently considering the comments received.

4.3 Advisers (PMs)

This section contains information specific to PMs, including current trends in deficiencies from compliance reviews of PMs (and acceptable practices to address them) and new and proposed rules and initiatives.

a) Current trends in deficiencies and acceptable practices

(i) Repeat common deficiencies

The following includes the deficiencies that we continue to find in reviews of PMs that have been reported on in previous annual reports and prior guidance. We encourage you to

review the information sources provided as the previously published guidance is still applicable to these issues.

Repeat common deficiency	Information source
1) Delegating KYC and suitability obligations to referral agents	• Section 4.3.1 under the heading *Delegating KYC and suitability obligations to referral agents* in OSC Staff Notice 33-742 • Section 5.2A under the heading *Delegating know your client and suitability obligations* in OSC Staff Notice 33-736 • Section 13.3 of 31-103CP
2) Inadequate supervision of ARs and research analysts	• Section 4.3.1 of OSC Staff Notice 33-742 under the heading *Inadequate supervision of advising representatives and research analysts* • Sections 32(2) of the Act, 11.1 of NI 31-103 and 11.1 of 31-103CP
3) Inadequate investment management agreements	• Section 4.3.1 of OSC Staff Notice 33-742 under the heading *Inadequate investment management agreements* • Sections 11.5(1) and 11.5(2)(k) of NI 31-103
4) Account statement practices	• Section 1.6 of this report on *PM – IIROC dealer service arrangements* • Section 4.3.3 of OSC Staff Notice 33-742 under the heading *PM client account statement practices* • Section 14.14 of NI 31-103
5) Lack of awareness of trade-matching requirements	• Section 5.4.1 of OSC Staff Notice 33-738 under the heading *Lack of awareness of trade-matching requirements* • National Instrument 24-101

	Institutional Trade Matching and Settlement (NI 24-101) and *Companion Policy to NI 24-101* • CSA Staff Notice 24-305 *Frequently Asked Questions About National Instrument 24-101 – Institutional Trade Matching and Settlement and Related Companion Policy*

b) New and proposed rules and inititiaves impacting PMs

(i) On-going amendments to NI 31-103

The following chart provides a high level overview of the NI 31-103 Proposed Amendments to requirements that impact PMs.

Proposed amendment[21]	Topic	Purpose
Sections 3.11 and 3.12 of 31-103CP	Proficiency: "relevant investment management experience" guidance	To provide increased clarity for industry regarding who qualifies for PM registration.
Section 8.26 of NI 31-103	International adviser exemption	To revert back to the less restrictive "permitted client" conditions in this exemption that were in force prior to July 11, 2011.
Subsection 8.26.1 of NI 31-103	Adding a sub-adviser exemption (not available outside of ON and QC otherwise)	To make the non-resident sub-adviser exemption available across Canada via NI 31-103 (currently available in Ontario and Quebec, exemptive relief application required in other provinces).
Section 13.17 of NI 31-103	Exemption from certain requirements for registered sub-advisers	To provide relief from certain requirements in NI 31-103, where a registered adviser acts as a sub-

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		adviser for another registrant.

For additional information, refer to section 1.1 in this report.

4.4 Investment fund managers

This section contains information specific to IFMs, including current trends in deficiencies from compliance reviews of IFMs (and acceptable practices to address them), a discussion on our sweep of high impact IFMs, and new and proposed rules and initiatives.

a) Current trends in deficiencies and acceptable practices

In this section, we summarize key trends in deficiencies from recent compliance reviews of IFMs.

(i) Repeat common deficiencies

The following includes the deficiencies that we continue to find in reviews of our registrants that have been reported on in previous annual reports and prior guidance. We encourage you to review the information sources provided as the previously published guidance is still applicable to these issues.

Repeat common deficiency	Information source
1) Sales practices	• Part I of OSC Staff Notice 33-743 • OSC Staff Notice 11-760 *Report on Mutual Fund Sales Practices Under Part 5 of National Instrument 81-105 – Mutual Fund Sales Practices* (OSC Staff Notice 11-760)
2) Inappropriate expenses charged to investment funds	• Section 4.4.1 under the heading *Inappropriate expenses charged to funds* in OSC Staff Notice 33-742 • Part II of OSC Staff Notice 33-743
3) Inadequate oversight of outsourced functions and service providers	• Part V of OSC Staff notice 33-743 • Section 4.4.1 of OSC Staff Notice 33-742 under the heading *Inadequate oversight of outsourced functions and service providers*

	• Section 11.1 of NI 31-103 and 11.1 of 31-103CP
4) Non-delivery of net asset value adjustments	• Section 4.4.1 of OSC Staff Notice 33-742 under the heading *Non-delivery of net asset value adjustments* • Section 4.4 d) (i) of this report re Ongoing Amendments to NI 31-103

(ii) Inadequate sales practices involving promotional items and business promotion activities

We reviewed a number of IFMs that manage mutual funds and engage in sales practice activities under section 5.6 of National Instrument 81-105 *Mutual Fund Sales Practices* (NI 81-105). We noted some instances where the promotional items and business promotion activities provided by IFMs to sales representatives were excessive and extravagant and not in keeping with section 5.6 of NI 81-105, particularly as follows:

- the amount spent on one promotional item or business promotion activity equated to the entire annual dollar limit set by an IFM for these types of activities per representative,
- the value of a promotional item or business promotion activity provided during one event exceeded the internal maximum that can be provided to each sales representative as set by the IFM,
- the value of all promotional items and business promotion activities provided to sales representatives over several events exceeded the internal maximum set by the IFM, and
- IFMs covered the cost of travel and personal incidental expenses incurred by sales representatives attending business promotion activities. For example, IFMs paid for expenses of sales representatives related to beverages and food outside of the meals and beverages already organized by the IFM and arranged for travel to and from the business promotion activity. The provision of travel and personal incidental expenses is strictly prohibited by section 5.6 of NI 81-105.

Section 5.6 of NI 81-105 provides specific parameters regarding the provision of promotional items and business promotion activities to sales representatives. IFMs must confirm that the provision of promotional items and business promotion activities fall within these set parameters.

Suggested practices to provide adequate sales practices under section 5.6 of NI 81-105

IFMs must:

- Develop internal policies and procedures to determine the reasonability of the cost of the promotional item and business promotion activity provided to sales representatives. IFMs are encouraged to consider the following in developing policies and procedures:
  - an annual limit per representative on these type of sales practices,
  - internal parameters on what is considered a reasonable amount for promotional items and business promotion activities,
  - factors that should be considered when determining cost reasonability,
  - the individual(s) responsible for assessing reasonability and providing documented approval of expenses,
  - the type of documentation required to assess reasonability, and
  - the involvement of the IRC in evaluating sales practices for reasonability.
- Maintain evidence of their reasonability assessment and the review and approval of the promotional item and business promotion activity.

Unacceptable practices

IFMs must not:

- Spend the entire annual limit set for promotional items and business promotion activities on any one item or event provided to a sales representative. This practice would be considered excessive and extravagant and not in keeping with the spirit of Part 5 of NI 81-105.
- Pay for travel expenses related to the provision of a promotional item or business promotion activity.
- Pay for any expenses, such as personal incidental expenses, above and beyond what was organized by the IFM for the business promotion activity.
- Provide promotional items or business promotion activities that would cost more in a location outside of where the IFMs head office is located (i.e. Toronto, Ontario).

For more information, see Part I of OSC Staff Notice 33-743 under section i) *reasonability of costs*, section 5.6 of NI 81-105 and paragraph 7.6 (2) of the Companion Policy of NI 81-105.

(iii) Inappropriate IFM organizational structure

We noted issues with IFMs that were part of larger organizational structures regarding the registration of the correct entity as an IFM and the payment of capital market participation fees.

In the cases that we reviewed, we noted that the investment funds managed by the IFM were paying a management fee to either the parent company or an affiliate of the IFM. In turn, the IFM would receive only a portion of the management fee from the parent company or affiliate for its services as a PM and not also as an IFM. The remaining management fee would be retained by the parent company or the affiliated entity, an unregistered entity.

Two key implications result from this type of organizational structure as follows:

- Registration issues: Section 7.3 of 31-103CP states that an IFM directs the business, operations or affairs of an investment fund. The management fee is being paid to an unregistered entity that may be directing the business, operations or affairs of the investment fund, which is the responsibility of the registered IFM. We would question if the firm receiving a portion of the management fee is conducting registerable activity and required to be registered as an IFM with the OSC.
- Participation fee issues: The result of paying the management fee to an unregistered entity is the calculation and payment of incorrect participation fees per Form 13-502F4 since the entire management fee is not captured in the registered IFMs revenue per its annual audited financial statements.

In each of the cases identified, we took appropriate steps to verify that the firms remitted additional participation fees to us, if necessary, based on the entire management fee paid by the investment funds and that all firms were appropriately registered with the OSC.

Suggested practices to implement an adequate IFM operational structure

IFMs must:

- Register entities that direct the business, operations or affairs of investment funds.
- Record the entire amount of management fees paid by the investment funds on the financial statements of the entity registered as an IFM.
- Include the entire amount of management fees paid by investment funds when calculating the participation fees for the IFM per Form 13-502F4.

- Confirm that the entity performing the IFM responsibilities is registered with the OSC in the category of IFM.

Unacceptable practices

IFMs must not:

- Avoid paying participation fees under OSC Rule 13-502 by diverting revenue paid by an investment fund to unregistered entities.

b) Sweep of large "impact" IFMs

In May 2013, we commenced targeted, on-site reviews of a sample of large IFMs to assess their compliance with securities law. These IFMs had over $500 billion in assets under management and they managed a wide range of investment funds, including traditional mutual funds, pooled funds, ETFs and closed end funds. As part of these reviews, we focused on key operational areas of the IFMs, such as:

- minimum working capital requirements and custody,
- securityholder reporting/transfer agency,
- trust accounting,
- fund accounting,
- oversight of service providers,
- conflicts of interest,
- sales practices, and
- overall compliance structure.

In cases where the IFMs were dually registered or had an affiliated PM, we also performed testing of the portfolio management and trading activities in conjunction with the targeted review of large advisers being done at the same time.

On June 19, 2014, we published OSC Staff Notice 33-743 to summarize the findings of the large "impact" IFM sweep reviews.

The notice summarizes our findings and sets out suggested guidance on the following areas:

- sales practices,
- allocation of expenses to investment funds,
- mutual fund borrowings,

- prohibited cross trades, and
- outsourcing and oversight of service providers.

For more information, see OSC Staff Notice 33-743.

c) Sweep of newly registered IFMs

This year we commenced reviews of a sample of newly registered IFMs in Ontario to gain an understanding of each firm's business, assess their compliance with Ontario securities law, and provide guidance on key regulatory requirements. We selected 40 firms in Ontario and are considering expanding the scope of the reviews to outside of Canada for firms for which we act as principal regulator. The firms were chosen based on their date of registration and other risk-based criteria. Our reviews focused on each firm's compliance system, financial condition and key IFM operational areas as well as key operational areas where the IFM was also registered in other categories such as a PM and/or EMD, as well as a KYC and suitability review. We have completed the 40 reviews. The objective of the sweep is to help newly registered IFM firms better understand their key regulatory requirements and help to enhance their compliance by identifying deficiencies in their compliance system. The common deficiencies we identified from the sweep are listed below, along with where to get more information on the requirements and guidance to address the deficiencies:

- Inadequate oversight of service providers – see section 4.4 a)(i)(3) in this report on *Current trends in deficiencies and acceptable practices* and *Repeat common deficiencies.*
- Inadequate insurance coverage – see section 4.1 c)(iii) in this report on *Current trends in deficiencies and acceptable practices* under *Inadequate insurance coverage.*
- Inadequate written policies and procedures - see section 4.1 c)(ii) in this report on *Current trends in deficiencies and acceptable practices* under *Written policies and procedures are not tailored to registrant's operations.*
- Inadequate collection, maintenance and documentation of KYC information – see section 4.1 c)(i) of this report on *Current trends in deficiencies and acceptable practices* under *Non-compliance with KYC, KYP and suitability requirements and accredited investor requirements.*
- Not determining proper reliance on accredited investor exemption - see section 4.1 c)(i) of this report on *Current trends in deficiencies and acceptable practices*

under *Non-compliance with KYC, KYP and suitability requirements and accredited investor requirements.*

- Inadequate relationship disclosure information – see section 4.1 c)(iv)(5) in this report on *Current trends in deficiencies and acceptable practices* under *Repeat common deficiencies* and *Inadequate relationship disclosure information.*

We perform sweep reviews of newly registered firms on an ongoing basis and in addition to enhancing a firm's compliance system we also use the information we obtain to enhance our outreach to registrants.

d) New and proposed rules and initiatives impacting IFMs

(i) Ongoing Amendments to NI 31-103

The following chart provides a high level overview of the NI 31-103 Proposed Amendments to requirements that impact IFMs.

Proposed amendment[22]	Topic	Purpose
Section 8.28 of NI 31-103	Capital accumulation plan	To make this exemption permanent and to clarify that this exemption is only available to plan sponsors and plan service providers in respect of activities relating to a capital accumulation plan.
Section 12.14 of NI 31-103	Form 31-103F4 *Net Asset Value Adjustments* (Form 31-103F4)	New Form 31-103F4 Net Asset Value Adjustments on which an IFM will report NAV adjustments as required by section 12.14 of NI 31-103 in order to harmonize and streamline the information provided by IFMs about NAV errors and adjustments by specifying which items of disclosure must be

[22] Subject to change and final approval

		covered and the level of detail to be provided to regulators.

For additional information, refer to section 1.1 in this report

As discussed in section 1.1 of this report, the CSA is working on NI 31-103 Proposed Amendments. A new form to report NAV adjustments in respect of investment funds managed by an IFM is being proposed as part of the NI 31-103 Proposed Amendments referred to as Form 31-103F4.

IFMs are required under section 12.14 of NI 31-103 to deliver a quarterly report describing any NAV adjustments in respect of an investment fund managed by the IFM during the period being reported on. The CSA has noted that the NAV reporting received since the implementation of NI 31-103 has been sparse and minimal and at times CSA regulators need to follow up with the IFM directly to discuss the issue, potential cause and solution of the NAV error originally reported.

As a result, as part of the NI 31-103 Proposed Amendments, CSA staff proposed Form 31-103F4 relating to reporting NAV errors. The purpose of the form is to provide additional details on NAV errors. More fulsome information will allow the regulator to detect whether or not the IFM should have more adequate policies and procedures in place to detect, prevent and correct NAV errors and will also limit the back and forth between the regulator and the IFM to obtain additional information once the NAV error is reported.

(ii) Changes to the Act

Part XXI of the Act, *Insider Trading and Self-Dealing* (Part XXI of the Act), contains conflict of interest investment restrictions which, until July 24, 2014, only applied to mutual funds. Part XXI of the Act has been amended to extend the conflict of interest investment restrictions to all investment funds, so that they apply to non-redeemable investment funds and mutual funds. Refer to the Act for additional information.

(iii) Investment Funds and Structured Products Branch

Our Investment Funds and Structured Products Branch has worked on a number of new and proposed rules with the CSA on the regulation of investment funds, and other initiatives, which impact IFMs. A number of these initiatives represent a continuation of projects previously discussed in detail in section 4.4.2 of OSC Staff Notice 33-742. A

summary of some of this work and the relevant information sources can be found in the following chart:

Project	Information source
1) Mutual fund fees	• Section 4.4.2 under the heading *New and Proposed Rules and Initiatives impacting IFMs* in OSC Staff Notice 33-742 • On December 17, 2013 the CSA published CSA Staff Notice 81-323 *Status Report on Consultation under CSA Discussion Paper and Request for Comment 81-407 Mutual Fund Fees* Section which provides additional information on this initiative.
2) Mutual fund risk classification	• On December 12, 2013 the CSA published CSA Staff Notice 81-324 *Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts* which provides additional information on this initiative.
3) Point of sale disclosure	• On March 26, 2014, the CSA published for second comment (now closed) changes to proposed amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (the Rule or NI 81-101) and Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (the Companion Policy). See CSA Notice and Request for Comment: *Implementation of Stage 3 of Point of Sale Disclosure for Mutual Funds - Point of Sale Delivery of Fund Facts*. • See section 4.4.2 under the heading *New and Proposed Rules and Initiatives impacting IFMs* in OSC Staff Notice 33-742

4) Review of fees and expenses disclosure by investment funds	• Our Investment Funds and Structured Products Branch recently conducted a targeted review of the fees and expenses disclosure practices of investment funds. OSC Staff Notice 81-724 *Report on Staff's Continuous Disclosure Review of the Fees and Expenses Disclosure by Investment Funds*, summarizes the findings and provides guidance to address the findings.
5) Review of high management expense ratios	• Our Investment Funds and Structured Products Branch recently completed a review of investment funds with high management expense ratios. The July 2014 Investment Funds Practitioner provides a summary on the results of this initiative.
IFM Resources	**Information source**
1) Annual Summary Report	• Our Investment Funds and Structured Products Branch publishes an annual Summary Report for Investment Fund Issuers. Refer to the fourth annual Summary Report in OSC Staff Notice 81-723 *Summary Report for Investment Fund Issuers 2013*.
2) Investment Funds Practitioner	• The Practitioner is an ongoing publication prepared by the OSC's Investment Funds and Structured Products Branch that provides an overview of operational issues arising from applications for discretionary relief, prospectuses, and continuous disclosure documents that are filed with the OSC.

ACTING ON REGISTRANT MISCONDUCT

a) Regulatory action following compliance reviews

b) Regulatory action following an application for registration

c) Matters referred to the Enforcement Branch

5 Acting on registrant misconduct

"The OSC has a responsibility to deliver strong investor protection: it's at the core of everything we do.

April 9, 2013 speech by Debra Foubert, Director, Compliance and Registrant Regulation at Strategy Institute: Annual Registrant Regulation, Conduct & Compliance Summit

We are alert to potential misconduct by registrants and when we find evidence of this we take appropriate, timely and effective regulatory action. Our regulatory responses cover the compliance-enforcement continuum, and include remedies imposed by the Director (such as T&Cs or suspensions of registration) as well as referrals to our Enforcement Branch.

HIGHLIGHTS OF MISCONDUCT CASES

"In my view, [the registrant's] ongoing compliance issues, ….., are very serious and raise concerns about whether the business of the firm …… may be carried on with integrity and in the best interests of [the] securityholders and in a way that would foster confidence in the capital markets" [23]

"Registration is a privilege, not a right, and it places significant obligations on registrants when they deal with members of the public who are potential investors or who are already clients. The public should not be exposed to the risk of a registrant that is under court protection from its creditors because it cannot meet its obligations as they become due… Instead it is reasonable for clients of a registered firm to expect that the firm is financially viable and not committing acts of bankruptcy. It is not in the public interest for [registrants] to continue in the business of trading in securities because it is not in a position to meet the many responsibilities that registrant firms must meet so that investors are protected."[24]

[23] Director's Decision – February 28, 2014 – Pro-Financial Asset Management Inc.
[24] Director's Decision – November 11, 2013 – League Investment Services Inc.

Some notable registrant misconduct cases from the past year are summarized below. Please note that some cases are still ongoing. Documents related to OSC proceedings before the Commission and before the Courts are available on the OSC's website under All Commission Proceedings. Further, Director's Decisions from the CRR Branch are also available on the OSC's website.

a) Regulatory action following compliance reviews

Registrant	Date of Director's Decision	Description
Sterling Grace & Co. Ltd. and Graziana Casale	November 18, 2013	During a compliance review of this EMD, we found that the firm was selling securities of an issuer under circumstances that gave rise to a serious undisclosed conflict of interest, and that the firm had failed to properly discharge its KYC and suitability obligations. Following a contested opportunity to be heard, the firm and its sole individual registrant were suspended by the Director. The Director's decision was stayed pending a hearing and review by a panel of the Commission pursuant to section 8 of the Act. The hearing and review was held in February and March, 2014. In September 2014, the panel released its reasons for the decision in which the panel agreed with the Director's findings on most issues, and suspended both the firm and the individual registrant.
League Investment Services Inc.	November 11, 2013	During a compliance review of this EMD, the firm and a number of its related party issuers filed for protection under the *Companies' Creditors Arrangement Act.* Staff of both the British Columbia Securities Commission (the **BCSC**) and the OSC sought to suspend the EMD's registration on solvency grounds, which the firm contested. The Executive Director of the BCSC found that the

		EMD was not suitable for registration because it was not in a position to meet its many responsibilities as a registered firm. After the BCSC suspension, the EMD withdrew its opposition to Staff's recommendation, and the Director suspended the EMD in Ontario as well.
FCPF Corporation (formerly Redev Corporation) and Richard Crenian	October 1, 2013	During a compliance review of this EMD, we found that the firm had employed an unregistered individual to trade in securities with clients and that it had traded in securities with some clients who did not qualify for prospectus exemptions. The registration of the firm and its UDP were suspended pursuant to a settlement agreement that was approved by the Director.
Kingsmont Investment Management Inc. and Paget Warner	September 24, 2013	During a compliance review of this PM and EMD, we found that the firm had failed to adequately discharge its KYC, KYP and suitability obligations. To address these concerns, the principal of the firm agreed to sell a majority share in the firm and surrender his UDP and CCO registrations, as well as the firm's EMD registration. Following a contested opportunity to be heard, the Director additionally suspended the principal's registration as an AR for six months for making misleading statements to OSC staff about a client complaint, and for requiring clients to sign an inappropriate risk disclaimer when investing in a particular issuer.
Takota Asset Management Inc.	July 29, 2013	T&Cs were imposed on the registration of this IFM, PM, and EMD requiring that it submit monthly financial reports to the OSC. The T&Cs were imposed due to the firm's failure to meet the excess working capital requirements and failure to notify the OSC of its capital deficiency, which had been identified by OSC staff during a compliance

		review.
Adewale Gbalajobi	July 26, 2013	A compliance review found that an EMD (FCPF Corporation) had used an unregistered individual to trade in securities with clients, some of whom did not qualify for prospectus exemptions. The firm was subsequently suspended by the Director. Mr. Gbalajobi was the CCO of the firm, and separately settled proceedings with the OSC that include a suspension of his registration.
Investment Allocation International Inc. and Marshall Miller	June 4, 2013	A compliance review of this one-man PM found that the registrant was selling securities of a related issuer to clients for whom the registrant provided discretionary management services. The investments were solicited by the registrant and made with the knowledge and consent of the client. The registrant did not fully disclose to its clients that a part of the investment proceeds would be used by the issuer to pay a management fee to the registrant. The registrant also had excess working capital of less than zero. The corporate and individual registrants were both suspended in accordance with a settlement agreement approved by the Director.

b) Regulatory action following an application for registration

Registrant	Date of Director's Decision	Description
Anu Bala Jain	August 29, 2013	This individual was an approved person of a mutual fund dealer. In March 2012, the MFDA approved of a settlement agreement under which Ms. Jain was suspended as an approved person for a period of one year after she engaged in "stealth advising" (*i.e.*, signing paperwork for investments actually sold to clients by an

		unregistered individual), and in an attempt to cover up her actions, misled her sponsoring firm and the MFDA during their investigation into the matter. Ms. Jain completed her suspension and the other terms required by her MFDA settlement agreement, and applied to reactivate her registration. T&Cs were imposed on Ms. Jain's registration requiring that she be strictly supervised by her sponsoring firm for a period of one year.

c) Matters referred to the Enforcement Branch

Registrant	Date of Decision	Description
Pro-Financial Asset Management Inc.	Ongoing	The Commission suspended the EMD registration of the firm, and placed T&Cs on the firm's PM registration prohibiting it from taking on new clients. The firm reported a large capital deficiency that it was not able to rectify, and also reported a discrepancy between the amount payable in respect of certain principal protected notes and the amount available to make those payments. Certain investment products managed by the firm are now subject to a cease trade order. Although the Director objected to a proposal to sell the firm's business to a purchaser, the Commission approved the transaction in July 2014 subject to T&Cs and after significant change was made to the transaction. The Enforcement Branch continues to investigate the firm's principal protected notes discrepancy.
Quadrexx Asset Management Inc.	Ongoing	As reported in section 5.1 of OSC Staff Notice 33-742, the Commission suspended the registration of this IFM, PM, and EMD, and issued a cease trade order in respect of certain investment

		products managed by the firm, after the firm reported a large capital deficiency that it was unable to rectify. Since then, the firm's business activities have been wound up, and a Statement of Allegations has been issued against the firm's principals and various related companies alleging, among other things, securities fraud. A hearing regarding the matters alleged in the Statement of Allegations has not yet occurred, and those allegations have not been proven.

ADDITIONAL RESOURCES

6 Additional resources

This section discusses how registrants can get more information about their obligations.

The CRR Branch works to foster a culture of compliance through outreach and other initiatives. We try to assist registrants in meeting their regulatory requirements in a number of ways.

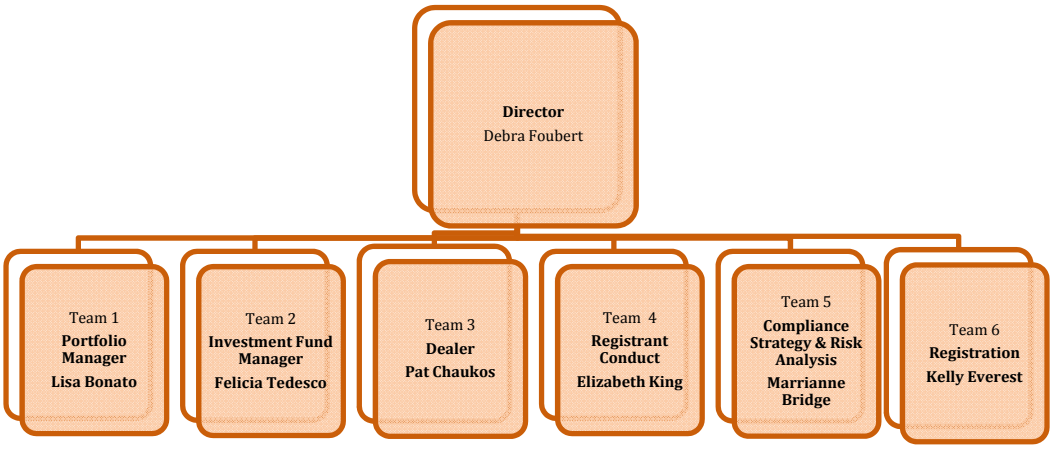
We developed a new outreach program to registrants (see section 2.1 of this report) to help them understand and comply with their obligations. We encourage registrants to visit our Registrant Outreach web page on the OSC's website.

Also, the Information for: Dealers, Advisers and IFMs section on the OSC website provides detailed information about the registration process and registrants' ongoing obligations. It includes information about compliance reviews and suggested practices, provides quick links to forms, rules and past reports and e-mail blasts to registrants. It also contains links to previous years' versions of our annual summary reports to registrants.

The Information for: Investment Funds section on our website also contains useful information for IFMs, including past editions of The Investment Funds Practitioner published by our Investment Funds and Structured Products Branch.

Registrants may also contact us. Please see Appendix A to this report for the CRR Branch's contact information. The CRR Branch's PM, IFM and dealer teams focus on oversight, policy changes, and exemption applications for their respective registration categories. The Registrant Conduct team supports the PM, IFM, dealer, registration and financial analyst teams in cases of potential registrant misconduct. The financial analysts on the Compliance, Strategy and Risk Analysis team review registrant submissions for financial reporting (such as audited annual financial statements, calculations of excess working capital and subordination agreements). The Registration team focuses on registration and registration-related matters for the PM, IFM and dealer registration categories, among others.

Appendix A – Compliance and Registrant Regulation Branch and contact information for Registrants



Director's Office

Name	Title	Telephone*	Email
Debra Foubert	Director	593-8101	dfoubert@osc.gov.on.ca
Diane Raulino	Administrative Assistant	593-8345	draulino@osc.gov.on.ca

Team 1 - Portfolio Manager

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Sabrina Philips	Administrative Assistant	593-2302	sphilips@osc.gov.on.ca
Chris Jepson	Senior Legal Counsel	593-2379	cjepson@osc.gov.on.ca
Karen Danielson	Legal Counsel	593-2187	kdanielson@osc.gov.on.ca
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Kat Szybiak	Legal Counsel	204-8988	kszybiak@osc.gov.on.ca
Carlin Fung	Senior Accountant	593-8226	cfung@osc.gov.on.ca
Trevor Walz	Senior Accountant	593-3670	twalz@osc.gov.on.ca

Chris Caruso	Accountant	204-8993	ccaruso@osc.gov.on.ca
Teresa D'Amata	Accountant	Away until May 2015	tdamata@osc.gov.on.ca
Scott Laskey	Accountant	263-3790	slaskey@osc.gov.on.ca
Daniel Panici	Accountant	593-8113	dpanici@osc.gov.on.ca
Susan Pawelek	Accountant	593-3680	spawelek@osc.gov.on.ca

Team 2 - Investment Fund Manager

Name	Title	Telephone*	Email
Felicia Tedesco	Manager	593-8273	ftedesco@osc.gov.on.ca
Cheryl Pereira	Administrative Assistant	593-8149	cpereira@osc.gov.on.ca
Robert Kohl	Senior Legal Counsel	593-8233	rkhol@osc.gov.on.ca
Maye Mouftah	Senior Legal Counsel	593-2358	mmouftah@osc.gov.on.ca
Jeff Scanlon	Senior Legal Counsel	204-4953	jscanlon@osc.gov.on.ca
Yan Kiu Chan	Legal Counsel	Away until September 2015	ychan@osc.gov.on.ca
Noulla Antoniou	Senior Accountant	595-8920	nantoniou@osc.gov.on.ca
Jessica Leung	Senior Accountant	593-8143	jleung@osc.gov.on.ca
Merzana Martinakis	Senior Accountant	593-2398	mmartinakis@osc.gov.on.ca
Estella Tong	Senior Accountant	593-8219	etong@osc.gov.on.ca
Dena Di Bacco	Accountant	593-8058	ddibacco@osc.gov.on.ca
Alizeh Khorasanee	Accountant	Away until August 2015	akhorasanee@osc.gov.on.ca
Saleha Haji	Accountant	593-2397	shaji@@osc.gov.on.ca
Daniela Schipani	Accountant	263-7671	dschipani@osc.gov.on.ca
Jeff Sockett	Accountant	593-8162	jsockett@osc.gov.on.ca

Team 3 – Dealer

Name	Title	Telephone*	Email
Pat Chaukos	Manager	593-2373	pchaukos@osc.gov.on.ca
Marcia Reynolds	Administrative Assistant	204-8957	mreynolds@osc.gov.on.ca
Amy Tsai	Legal Counsel	593-8074	atsai@osc.gov.on.ca
Denise Morris	Legal Counsel	595-8785	dmorris@osc.gov.on.ca
Maria Carelli	Senior Accountant	Away until August 2015	mcarelli@osc.gov.on.ca
Lina Creta	Senior Accountant	204-8963	lcreta@osc.gov.on.ca
Stratis Kourous	Senior Accountant	593-2340	skourous@osc.gov.on.ca
Jennifer Chan	Accountant	593-2351	jchan@osc.gov.on.ca
Louise Harris	Accountant	593-2359	lharris@osc.gov.on.ca
Karin Hui	Accountant	Away until May 2015	khui@osc.gov.on.ca
Georgia Striftobola	Accountant	593-8103	gstriftobola@osc.gov.on.ca

Team 4 - Registrant Conduct

Name	Title	Telephone*	Email
Elizabeth King	Deputy Director	204-8951	eking@osc.gov.on.ca
Maria Sequeira	Administrative Assistant	On secondment	msequeira@osc.gov.on.ca
Michael Denyszyn	Senior Legal Counsel	595-8775	mdenyszyn@osc.gov.on.ca
Mark Skuce	Legal Counsel	593-3734	mskuce@osc.gov.on.ca
Victoria Paris	Legal Counsel	204-8955	vparis@osc.gov.on.ca
Lisa Pieblags	Forensic Accountant	593-8147	lpieblags@osc.gov.on.ca
Rita Lo	Registration Research Officer	593-2366	rlo@osc.gov.on.ca

Team 5 - Compliance, Strategy and Risk Analysis

Name	Title	Telephone*	Email
Marrianne Bridge	Deputy Director	595-8907	mbridge@osc.gov.on.ca
Ranjini Srikantan	Administrative Assistant	593-2320	rsrikantan@osc.gov.on.ca
Jonathan Yeung	Senior Financial Analyst	595-8924	jyeung@osc.gov.on.ca
Isabelita Chichioco	Financial Analyst	593-8105	ichichioco@osc.gov.on.ca
Helen Walsh	Lead Risk Analyst	204-8952	hwalsh@osc.gov.on.ca
Wayne Choi	Business Analyst	593-8189	wchoi@osc.gov.on.ca
Clara Ming	Registration Data Analyst	593-8349	cming@osc.gov.on.ca
Lucy Gutierrez	Registration Support Officer	593-8277	lgutierrez@osc.gov.on.ca

Team 6 – Registration

Name	Title	Telephone*	Email
Kelly Everest	Manager	595-8914	keverest@osc.gov.on.ca
Linda Pinto	Registration Administrator	595-8946	lpinto@osc.gov.on.ca
Oriole Burton	Registration Supervisor	204-8962	oburton@osc.gov.on.ca
Allison McBain	Registration Supervisor	593-8164	amcbain@osc.gov.on.ca
Jane Chieu	Individual Registration Officer	593-3671	jchieu@osc.gov.on.ca
Dianna Cober	Individual Registration Officer	593-8107	dcober@osc.gov.on.ca
Kamaria Hoo	Corporate Registration Officer	593-8214	khooalvarado@osc.gov.on.ca
Marsha Hylton	Individual Registration Officer	593-8142	mhylton@osc.gov.on.ca
Feryal Khorasanee	Corporate Registration Officer	595-8781	fkhorasanee@osc.gov.on.ca
Anne Leung	Corporate Registration Officer	593-8235	aleung@osc.gov.on.ca
Jenny Tse Lin Tsang	Corporate Registration Officer	593-8224	jtselintsang@osc.gov.on.ca
Pamela Woodall	Corporate Registration Officer	593-8225	pwoodall@osc.gov.on.ca

Anthony Ng	Individual Registration Officer	263-7655	ang@osc.gov.on.ca
Kipson Noronha	Corporate Registration Officer	593-8258	knoronha@osc.gov.on.ca
Rachel Palozzi	Corporate Registration Officer	595-8921	rpalozzi@osc.gov.on.ca
Toni Sargent	Individual Registration Officer	593-8097	tsargent@osc.gov.on.ca
Edgar Serrano	Corporate Registration Officer	593-8331	eserrano@osc.gov.on.ca
Maria Christina Talag	Corporate Registration Officer	263-7652	mtalag@osc.gov.on.ca
Christy Yip	Corporate Registration Officer	595-8788	cyip@osc.gov.on.ca

* Area code (416)

The OSC Inquiries & Contact Centre operates from
8:30 a.m. to 5:00 p.m. Eastern Time, Monday to Friday,
and can be reached on the Contact Us page of

www.osc.gov.on.ca

If you have questions or comments about this report, please contact:

Merzana Martinakis
Senior Accountant
Compliance and Registrant Regulation
mmartinakis@osc.gov.on.ca
(416) 593-2398

1.2 Notices of Hearing

1.2.1 Alexander Christ Doulis and Liberty Consulting Ltd. – ss. 127, 127.1

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

AND

IN THE MATTER OF
ALEXANDER CHRIST DOULIS
(aka ALEXANDER CHRISTOS DOULIS,
aka ALEXANDROS CHRISTODOULIDIS)
and LIBERTY CONSULTING LTD.

NOTICE OF HEARING
(Sections 127 and 127.1 of the Securities Act)

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will 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") at the offices of the Commission located at 20 Queen Street West, Toronto, Ontario, M5H 3S8, 17th Floor, commencing on October 7, 2014 at 3:00 p.m., or as soon thereafter as the Hearing can be held;

TO CONSIDER whether it is in the public interest for the Commission, at the conclusion of the hearing, to make an order for sanctions and costs;

BY REASON OF the findings of the Commission in the Reasons and Decision issued on September 18, 2014 with respect to the hearing on the merits on this matter;

AND TAKE FURTHER NOTICE THAT the hearing will be conducted by way of an electronic hearing where only the Panel will participate via teleconference, as defined in section 1.1 of the Rules and subsection 1(1) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c S.22 as amended (the "SPPA"), unless a party objects as provided under subsection 5.2(2) of the SPPA;

AND TAKE FURTHER NOTICE that a party who objects to the hearing on sanctions and costs being conducted by way of an electronic hearing where only the Panel will participate via teleconference, shall file and serve a notice of objection setting out the reasons for the objection within 5 days after receiving this notice of electronic hearing;

AND TAKE FURTHER NOTICE that the notice of objection shall set out the reasons for the objection and be accompanied by any evidence and any law relied on in support of the objection satisfying the Panel that holding an electronic hearing by teleconference rather than an oral hearing is likely to cause the party significant prejudice; and

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

AND TAKE FURTHER NOTICE that upon failure of any party to attend at the time and place aforesaid, or upon failure by any party to file and serve a notice of objection that holding the hearing on sanctions and costs by way of an electronic hearing by teleconference is likely to cause the party significant prejudice, 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 18th day of September, 2014

"Josée Turcotte"
Acting Secretary to the Commission

1.2.2 Ernst & Young LLP (Audits of Sino-Forest Corporation and Zungui Haixi Corporation) – ss. 127, 127.1

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

AND

IN THE MATTER OF
ERNST & YOUNG LLP
(Audits of Sino-Forest Corporation
and Zungui Haixi Corporation)

NOTICE OF HEARING
(Sections 127 and 127.1 of the Securities Act)

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended, at the offices of the Commission at 20 Queen Street West, 17th Floor, Hearing Room D on September 30, 2014 at 10:00 a.m. or as soon thereafter as the hearing can be held;

AND TAKE NOTICE that the purpose of the hearing is for the Commission to consider whether it is in the public interest to approve a settlement agreement entered into between Staff of the Commission and Ernst & Young LLP.

DATED at Toronto this 19th day of September, 2014.

"Josée Turcotte"
Acting Secretary to the Commission

1.4 Notices from the Office of the Secretary

1.4.1 David O'Brien

FOR IMMEDIATE RELEASE
September 17, 2014

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

AND

IN THE MATTER OF
DAVID M. O'BRIEN

TORONTO – The Commission issued an Order in the above named matter which provides that:

1. a confidential pre-hearing conference shall take place on January 12, 2015 at 9:00 a.m.;

2. O'Brien shall file and serve any materials on which he intends to rely at the pre-hearing conference by January 8, 2015; and

3. the records from the September 15, 2014 and January 12, 2015 confidential pre-hearing conferences shall be sealed and treated as confidential pursuant to sub-section 9(1) of the SPPA and rule 8.1 and subrule 5.2(1) of the *Rules of Procedure*.

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

A copy of the Order dated September 15, 2014 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.4.2 Alexander Christ Doulis and Liberty Consulting Ltd.

FOR IMMEDIATE RELEASE
September 19, 2014

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

AND

IN THE MATTER OF
ALEXANDER CHRIST DOULIS
(aka ALEXANDER CHRISTOS DOULIS,
aka ALEXANDROS CHRISTODOULIDIS)
and LIBERTY CONSULTING LTD.

TORONTO – Following the hearing on the merits 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 October 7, 2014 at 3:00 p.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 dated September 18, 2014, Order dated September 18, 2014 and Notice of Hearing dated September 18, 2014 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.4.3 Eric Inspektor

FOR IMMEDIATE RELEASE
September 19, 2014

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

AND

IN THE MATTER OF
ERIC INSPEKTOR

TORONTO – The Commission issued an Order in the above named matter which provides that:

1. the Respondent shall file a notice of motion by October 6, 2014;
2. the Respondent shall serve and file motion materials by October 15, 2014, including a description of the materials sought to be disclosed and the specific purpose for which an order pursuant to section 17 of the Act is sought;
3. Staff shall serve and file any responding materials on or before October 20, 2014 at noon;
4. the Section 17 Motion shall be heard on October 21, 2014 at 2:30 p.m.; and
5. this hearing is adjourned to November 3, 2014 at 10:00 a.m.

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

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.4.4 Wealth Stewards Portfolio Management Inc. and Sushila Lucas

FOR IMMEDIATE RELEASE
September 19, 2014

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

AND

IN THE MATTER OF
WEALTH STEWARDS PORTFOLIO MANAGEMENT INC.
and SUSHILA LUCAS

TORONTO – The Commission issued an Order in the above named matter with certain provisions.

The Hearing and Review scheduled pursuant to the Stay Order and adjourned pursuant to the August 1, 2014 Order is further adjourned to November 6, 2014 commencing at 10:00 a.m. and shall continue on November 7, 2014 commencing at 10:00 a.m.

A copy of the Order dated September 18, 2014 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.4.5 Paul Azeff et al.

FOR IMMEDIATE RELEASE
September 19, 2014

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

AND

IN THE MATTER OF
PAUL AZEFF, KORIN BOBROW,
MITCHELL FINKELSTEIN, HOWARD JEFFREY MILLER
AND MAN KIN CHENG (a.k.a. FRANCIS CHENG)

TORONTO – The Commission issued an Order in the above named matter with certain provisions.

A copy of the Order dated September 19, 2014 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

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

1.4.6 Ernst & Young LLP (Audits of Sino-Forest Corporation and Zungui Haixi Corporation)

FOR IMMEDIATE RELEASE
September 19, 2014

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

AND

IN THE MATTER OF
ERNST & YOUNG LLP
(Audits of Sino-Forest Corporation
and Zungui Haixi Corporation)

TORONTO – The Office of the Secretary of the Ontario Securities Commission (the "Commission") issued a Notice of Hearing today for a hearing to consider whether it is in the public interest for the Commission to approve a Settlement Agreement entered into by Staff of the Commission and Ernst & Young LLP in the above matters. OSC Staff will make submissions at the hearing as to the terms of the settlement and why approving the settlement would be in the public interest. The Settlement Agreement was entered into on a no contest basis.

The hearing will be held on September 30, 2014 at 10:00 a.m. in Hearing Room D on the 17th floor of the Commission's office located at 20 Queen Street West, Toronto.

A copy of the Notice of Hearing dated September 19, 2014 is available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOSÉE TURCOTTE
ACTING SECRETARY

For media inquiries:

media_inquiries@osc.gov.on.ca

For investor inquiries:

OSC Contact Centre
416-593-8314
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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 SHSC Financial Inc. et al.

Headnote

NP 11-203 – Process for Exemptive Relief Applications in Multiple Jurisdictions – Approval granted for change of control of mutual fund manager under s. 5.5(2) of NI 81-102 – The Filer has no current plans to change the manager of the Funds, or to amalgamate or merge the current manager with any other entity, for the foreseeable future.

Statutes Cited

National Instrument 81-102 Mutual Funds, ss. 5.5(2), 19.1.

September 12, 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
SHSC FINANCIAL INC.
(THE MANAGER)

AND

IN THE MATTER OF
SOCIAL HOUSING CANADIAN SHORT-TERM BOND FUND, SOCIAL HOUSING CANADIAN BOND FUND AND SOCIAL HOUSING CANADIAN EQUITY
(THE SOCIAL HOUSING INVESTMENT FUNDS)

DECISION

Background

The Ontario Securities Commission has received an application from the Manager for a decision under the securities legislation of the Jurisdiction (the **Legislation**) for approval pursuant to subsection 5.5(2) of National Instrument 81-102 *Mutual Funds* (**NI 81-102**) of a change of control of the Manager (the **Approval Sought**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are otherwise defined in this decision.

Representations

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

Housing Services Corporation, the Manager and the Social Housing Investment Funds

1. Housing Services Corporation (**HSC**) was established under the provisions of the *Social Housing Reform Act, 2000* (Ontario) as a non-profit, non-share capital corporation under its former name, Social Housing Services Corporation. HSC is principally engaged, directly or through the Manager or another wholly owned subsidiary, in: i) managing the pooling of capital reserve funds for certain co-operative and non-profit housing providers in Ontario; ii) establishing and coordinating insurance programs and joint purchase programs; and iii) advising on benchmarks and best practices to achieve efficient and effective provision of non-profit social housing.

2. HSC is not registered under securities, commodity futures or derivatives legislation in any Canadian jurisdiction (**Securities Legislation**) and, except for its ownership of the Manager, does not own, directly or indirectly, an interest in a firm which is registered under Securities Legislation.

3. The Manager has its head office in Toronto, Ontario. The Manager is registered as an investment fund manager in Ontario and is not registered in any other capacity under Securities Legislation. As at the date of this application, the Manger is wholly-owned by HSC.

4. The Manager is the investment fund manager of the Social Housing Investment Funds and does not provide securities advice to, nor distribute the securities of, the Social Housing Investment Funds.

5. The Social Housing Investment Funds are mutual fund trusts established under the laws of Ontario which are offered for sale primarily to co-operative and non-profit housing providers in Ontario. The Social Housing Investment Funds are reporting issuers in Ontario and the securities of the Social Housing Investment Funds are qualified for dis-

tribution in Ontario by a simplified prospectus and annual information form.

6. Neither the Manager nor any of the Social Housing Investment Funds is in default of the securities laws of Ontario.

7. The Social Housing Investment Funds are marketed and distributed through registered dealers.

The Proposed Acquisition

8. On July 25, 2014, each of the Co-operative Housing Federation of Canada (**CHF Canada**), the Co-operative Housing Federation of BC (**CHF BC**), and the BC Non-Profit Housing Association (**BCNPHA**), entered into a share purchase agreement with HSC to purchase 20% of the issued and outstanding shares of the Manager owned by HSC (the **Acquisition**).

9. Upon completion of the Acquisition, HSC will own 40% of the issued and outstanding shares of the Manager, and each of CHF Canada, CHF BC and BCNPHA will own 20% of the issued and outstanding shares of the Manager.

10. The completion of the Acquisition is subject to receipt of all required regulatory approvals and other customary closing conditions and it is anticipated that the Acquisition will be completed on or about September 30, 2014 (the **Closing Date**) following receipt of the regulatory approvals and the expiration of the notice period provided for in section 5.8(1)(a) of NI 81-102.

The Purchasers

11. CHF Canada is a co-operative association incorporated under the *Canada Cooperatives Act* (S.C. 1998, c.1). Its members are non-profit housing co-operatives in Canada and organizations that are closely linked with such housing co-operatives.

12. CHF Canada is not registered under Securities Legislation and does not own, directly or indirectly, an interest in a firm which is registered under Securities Legislation.

13. CHF BC is a co-operative association incorporated under the *Cooperative Association Act* (British Columbia). Its members are non-profit housing co-operatives in British Columbia (BC) and organizations that are closely linked with such housing co-operatives.

14. CHF BC is not registered under Securities Legislation and does not own, directly or indirectly, an interest in a firm which is registered under Securities Legislation.

15. BCNPHA is a society incorporated under the *Society Ac*t (British Columbia) and is the industry association for affordable housing in BC. It represents, educates and provides services to non-profit social housing providers and stakeholders across BC. BCNPHA members are primarily non-profit housing providers. Other members include non-profit organizations with an interest in housing, and for-profit companies providing products and services to the non-profit housing sector.

16. BCNPHA is not registered under Securities Legislation and does not own, directly or indirectly, an interest in a firm which is registered under the Securities Legislation.

Proposed Change of Control

17. The Acquisition will result in a change of control of the Manager.

18. Upon completion of the Acquisition, HSC, CHF Canada, CHF BC, BCNPHA and the Manager will enter into a shareholders' agreement which will provide that certain matters require the unanimous approval of HSC, CHF Canada, CHF BC and BCNPHA, including, but not limited to (i) amending the Manager's by-laws, (ii) the creation of additional shares in the capital of the Manager, (iii) materially changing the business carried on by the Manager, (iv) a merger, amalgamation, plan of arrangement, continuance, reorganization or consolidation other than in connection with a *bona fide* internal corporate reorganization approved by the Manager's board, and (v) the winding-up, reorganization or dissolution of the Manager. Such amendments will not have any material impact of the day to day operations of the Manager or on the management and administration of the Funds within a foreseeable period of time following the closing of the Acquisition.

19. A press release disclosing the proposed Acquisition was issued and posted on the websites of the Manager and the Social Housing Investment Funds on July 28, 2014 and filed under SEDAR Project No. 2236861.

20. A notice to unitholders describing the Acquisition and the resulting change of control was posted on SEDAR under SEDAR Project No. 2236825 and was sent to unitholders of the Social Housing Investment Funds on July 28, 2014, pursuant to section 5.8(1)(a) of NI 81-102.

21. A notice regarding the change of control of the Manager was submitted to the Compliance and Registrant Regulation branch of the Ontario Securities Commission on July 28, 2014 pursuant to section 11.10 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. The Manager

received a non-objection letter dated August 22, 2014.

22. In respect of the impact of the proposed change of control of the Manager on the management and administration of the Social Housing Investment Funds, the Manager has confirmed that there are no current plans:

    (i) to make any substantive changes to how the Manager operates or manages the Social Housing Investment Funds; or

    (ii) to amalgamate or merge the Manager with another investment fund manager.

23. Following the completion of the Acquisition:

    a) The Acquisition will not have a negative impact on the Social Housing Investment Funds or their unitholders;

    b) the Social Housing Investment Funds will be maintained as a distinct brand and products with the Manager as their manager;

    c) the Manager will continue to act as the investment fund manager of the Social Housing Investment Funds as a discrete, separate and distinct legal entity in materially the same manner as it has conducted such activities immediately prior to the Closing Date;

    d) upon completion of the Acquisition, HSC will own 40% of the issued and outstanding shares of the Manager, and each of CHF Canada, CHF BC and BCNPHA will own 20% of the issued and outstanding shares of the Manager;

    e) it is anticipated that the Manager's board of directors will comprise one nominee from each of HSC, CHF Canada, CHF BC and BCNPHA, and additional independent directors as may be necessary, who will have appropriate education, knowledge and experience to effectively serve on the Manager's board;

    f) it is anticipated that HSC, CHF Canada, CHF BC and BCNPHA will collectively appoint a new CEO who will be designated as the Manager's new ultimate designated person;

    g) except as noted in (e) and (f), the Manager will continue to operate as it currently operates with the same management, employees and office;

    h) the current members of the Independent Review Committee (**IRC**) of the Social Housing Investment Funds will cease to be IRC members pursuant to section 3.10(1)(c) of National Instrument 81-107 *Independent Review Committee for Investment Funds* (**NI 81-107**), however, the Manager will appoint the same individuals as members of the IRC in accordance with section 3.3(5) of NI 81-107 if such individuals wish to continue to serve as members of the IRC;

    i) there will not be any change in how the Social Housing Investment Funds are managed, to the investment objectives and strategies of the Social Housing Investment Funds or to the expenses that are charged to the Series A units (the only issued and outstanding units) of the Social Housing Investment Funds, as a result of the Acquisition;

    j) the Manager and the Social Housing Investment Funds will have greater access to capital and therefore strengthened financial viability and sustainability moving forward;

    k) the Manager has policies and procedures for addressing conflict of interest matters including compliance with the self-dealing provisions of applicable securities law. The Manager does not foresee that the Acquisition will give rise to any conflicts of interest of a type different from those which are currently subject to oversight by the compliance personnel of the Manager;

    l) the change of control of the Manager will have no negative consequences on the ability of the Manager to comply with all applicable regulatory requirements or its ability to satisfy its obligations to the Social Housing Investment Funds; and

    m) the proposed Acquisition is only expected to benefit the Manager and will not adversely affect the Manager's financial position or its ability to fulfill its regulatory obligations.

Decision

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

The decision of the regulator under the Legislation is that the Approval Sought is granted.

"Raymond Chan"
Manager, Investment Fund and Structured Products
Ontario Securities Commission

2.1.2 Cadillac Mining Corporation – s. 1(10)

Headnote

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

Ontario Statutes

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

September 17, 2014

Blake, Cassels & Graydon LLP
2800, Commerce Court West
199 Bay Street
Toronto, ON M5L 1A9

Attention: Sandra Raath

Dear Madam:

Re: Cadillac Mining Corporation (the Applicant) – Application for a decision under the securities legislation of Alberta and Ontario (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 deemed to have ceased to be a reporting issuer.

"Denise Weeres"
Manager, Legal
Corporate Finance
Alberta Securities Commission

2.1.3 Mackenzie Financial Corporation et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief from the requirement to obtain the approval of securityholders before changing the fundamental investment objectives of a mutual fund – Relief required as a result of changes to federal budget eliminating certain tax benefits associated with character conversion transactions – Required to send written notice at least 60 days before the effective date of the change to the investment objectives of the fund setting out the change, the reasons for such change, a statement that the fund will no longer be able to distribute gains under forward contracts that are treated as capital gains for tax purposes.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 5.1(c), 19.1.

September 4, 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
MACKENZIE FINANCIAL CORPORATION
(the Filer)

AND

IN THE MATTER OF
MACKENZIE STRATEGIC INCOME CLASS AND
MACKENZIE CANADIAN SHORT TERM YIELD CLASS
(collectively, the Funds)

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of the Funds for a decision under the securities legislation of the Jurisdiction of the principal regulator (the **Legislation**) exempting the Funds from the requirement in subsection 5.1(c) of National Instrument 81-102 – *Mutual Funds* (**NI 81-102**) to obtain the approval of securityholders before changing the fundamental investment objectives of the Funds (the **Exemption Sought**).

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

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

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

Interpretation

Terms defined in NI 81-102, National Instrument 14-101 *Definitions*, and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

1. The Filer is registered as an investment fund manager, portfolio manager, exempt market dealer and commodity trading manager in Ontario. The Filer is also registered as a portfolio manager and exempt market dealer in all other Canadian provinces and territories, and as an investment fund manager in the Provinces of Newfoundland and Labrador and Québec.

2. The Filer is the manager and portfolio manager of the Funds and the Reference Funds (defined below), and is the trustee of the Reference Funds.

3. Each of the Funds is a separate class of shares of Mackenzie Financial Capital Corporation ("**Capitalcorp**"), a mutual fund corporation incorporated under the laws of the Province of Ontario. Each Fund is subject to the provisions of NI 81-102.

4. Neither the Filer nor the Funds are in default of securities legislation in any of the Jurisdictions.

5. The securities of each of the Funds are qualified for distribution pursuant to a simplified prospectus, annual information form and Fund Facts dated September 27, 2013 that was prepared and filed in accordance with the securities legislation of the Jurisdictions. Accordingly the Funds are each reporting issuers or the equivalent in each Jurisdiction. It is anticipated that a simplified prospectus, annual information form and Fund Facts in respect of the Funds will be filed via SEDAR in the Jurisdictions on or about September 29, 2014 (the "**Final Prospectus**").

6. Under its current investment objectives and strategies,

   a. Mackenzie Strategic Income Class may enter into derivative transactions ("Character Conversion Transactions") in which it sells Canadian equity securities for prices determined with reference to Mackenzie Strategic Income Fund, and

   b. Mackenzie Canadian Short Term Yield Class may invest in securities of another mutual fund that enters into Character Conversion Transactions in which it sells Canadian equity securities for prices determined with reference to Mackenzie Sentinel Canadian Money Market Fund.

   Mackenzie Strategic Income Fund and Mackenzie Sentinel Canadian Money Market Fund are each referred to as a "**Reference Fund**".

7. The current investment objectives of each Fund are set out in the table below:

Fund	Investment Objectives
Mackenzie Strategic Income Class	The Fund seeks to provide tax-efficient returns similar to those of a diversified income fund managed by Mackenzie. Generally, the Fund aims to achieve this objective by investing primarily in Canadian equity securities and by entering into forward contracts in order to provide the Fund with a return determined with reference to the performance of a diversified income fund managed by Mackenzie. The Fund may, however, instead invest directly in fixed income and/or income-oriented equity securities where the Fund considers it would be beneficial to shareholders to do so.
Mackenzie Canadian Short Term Yield Class	The Fund seeks to provide tax-efficient returns similar to those of a Canadian money market fund managed by Mackenzie. The Fund aims to achieve this objective by investing primarily in securities of another mutual fund that invests in Canadian equity securities and enters into forward contracts in order to provide that mutual fund with a return

	determined with reference to the performance of a Canadian money market fund managed by Mackenzie. The Fund may also invest directly in money market securities where the Fund considers it would be beneficial to securityholders to do so.

8. The *Income Tax Act* (Canada) (the "Tax Act") has been amended following the Federal Minister of Finance's budget proposal first introduced on March 21, 2013. The amendments to the Tax Act have eliminated the tax benefits associated with Character Conversion Transactions. The changes apply to Character Conversion Transactions entered into or amended after March 20, 2013.

9. On April 5, 2013, the Filer issued a press release announcing the temporary closing of the Funds to new investment. The Funds remain closed to new investors, except that, since May 31, 2013, the Filer has permitted investments in other Capitalcorp funds to be switched into Series A and Series F shares of Mackenzie Canadian Short Term Yield Class.

10. In connection with the Final Prospectus, the Filer wishes to reflect a future amendment to the investment objectives of each Fund whereby:

    a. all references to the use of Character Conversion Transactions will be removed,

    b. the Fund will be permitted to invest substantially all of its assets in securities of other mutual funds, and

    c. the Fund will retain the ability to invest in securities similar to those held by its Reference Fund.

    Each amendment would take effect following the delivery of a written notice to the relevant Fund's securityholders. Thereafter, the revised investment objectives of each Fund will be set out as below:

Fund	**Investment Objectives**
Mackenzie Strategic Income Class	The Fund seeks income with the potential for long-term capital growth by investing primarily in: - fixed-income and/or income-oriented equity securities, and/or - securities of other mutual funds that invest in these securities.
Mackenzie Canadian Short Term Yield Class	The Fund pursues a steady flow of income with reasonable safety of capital and liquidity. The Fund invests mainly in: - money market securities and bonds issued by Canadian governments and corporations, with maturities of up to one year, and in floating-rate notes and asset-backed securities; and/or - securities of other mutual funds that invest in these securities.

11. On the effective date of the change of investment objectives of Mackenzie Canadian Short Term Yield Class, this Fund's name will change to Mackenzie Canadian Money Market Class. As a money market fund, Mackenzie Canadian Short Term Yield Class meets, and will continue to meet under its changed investment objective, the requirements of section 2.18 of NI 81-102.

12. A material change report and press release will be filed announcing the amendment to each Fund's investment objectives pursuant to the Exemption Sought.

Decision

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

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted, provided that, in respect of each Fund, securityholders of the Fund will be sent a written notice, at least 60 days before the effective date of the change to the investment objectives of the Fund, that sets out the change to the investment objectives, the reasons for such change and a statement that the Fund will no longer be able to distribute gains under forward contracts that are treated as capital gains for tax purposes.

"Vera Nunes"
Manager, Investment Funds and Structured Products Branch
Ontario Securities Commission

2.2 Orders

2.2.1 David O'Brien – s. 9(1) of the SPPA and Rules 5.2(1), 8.1 of the OSC Rules of Procedure

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

AND

IN THE MATTER OF
DAVID M. O'BRIEN

ORDER
(Subsection 9(1) of the Statutory Powers Procedure Act, R.S.O. 1990, c. S.22, as amended and Rule 8.1 and subrule 5.2(1) of the Commission's Rules of Procedure (2012), 35 O.S.C.B. 10071)

WHEREAS on December 8, 2010, the Secretary of the Ontario Securities Commission (the "Commission") issued a Notice of Hearing, pursuant to sections 37, 127 and 127.1 of the Ontario *Securities Ac*t, R.S.O. 1990, c. S.5, as amended (the "Act"), for a hearing to commence at the offices of the Commission on December 20, 2010 at 10:30 a.m., or as soon thereafter as the hearing could be held;

AND WHEREAS the Notice of Hearing provided for the Commission to consider, among other things, whether, in the opinion of the Commission, it is in the public interest, pursuant to section 127 of the Act, to issue temporary orders against O'Brien, as follows:

(a) O'Brien shall cease trading in any securities for a prescribed period or until the conclusion of the hearing on the merits in this matter;

(b) O'Brien is prohibited from acquiring securities for a prescribed period or until the conclusion of the hearing on the merits in this matter; and

(c) Any exemptions contained in Ontario securities law do not apply to O'Brien for a prescribed period or until the conclusion of the hearing on the merits in this matter;

AND WHEREAS on December 20, 2010, the hearing with respect to the issuance of the temporary orders was adjourned until December 23, 2010 at 12:30 p.m.;

AND WHEREAS on December 23, 2010, a hearing with respect to the issuance of the temporary orders was held and the panel of the Commission considered the affidavit of Lori Toledano, a member of Staff of the Commission ("Staff"), the cross-examination of Toledano and the submissions made by Staff and O'Brien;

AND WHEREAS on December 23, 2010, the Commission issued a temporary cease trade order pursuant to section 127 of the Act ordering that:

(a) O'Brien shall cease trading in securities;

(b) O'Brien is prohibited from acquiring securities; and

(c) Any exemptions contained in Ontario securities law do not apply to O'Brien (the "Temporary Cease Trade Order");

AND WHEREAS on December 23, 2010, the Commission ordered that the Temporary Cease Trade Order shall expire on April 1, 2011;

AND WHEREAS a confidential pre-hearing conference was scheduled for February 24, 2011;

AND WHEREAS at the confidential pre-hearing conference on February 24, 2011, Staff and O'Brien appeared and made submissions regarding the disclosure made by Staff, and Staff requested an extension of the Temporary Cease Trade Order;

AND WHEREAS on February 24, 2011, the Commission ordered that:

a) a hearing to extend the Temporary Cease Trade Order shall take place on March 30, 2011 at 11:30 a.m.;

b) a motion regarding disclosure shall take place on April 21, 2011 at 10:00 a.m., and in accordance with rule 3.2 of the Commission *Rules of Procedure* (2010), 33 OSCB 8017 (the "*Rules of Procedure*"), O'Brien shall serve and file a motion record, including any affidavits to be relied upon, by April 11, 2011 at 4:30 p.m.; and

c) a further confidential pre-hearing conference shall take place on May 30, 2011 at 10:00 a.m.;

AND WHEREAS on March 30, 2011, a hearing with respect to the extension of the Temporary Cease Trade Order was held, and the panel of the Commission considered the evidence filed and the submissions made by Staff and O'Brien, and the Commission ordered that:

a) the Temporary Cease Trade Order shall be extended to April 26, 2011; and

b) a further hearing to extend the Temporary Cease Trade Order shall take place on April 21, 2011 at 10:00 a.m.;

AND WHEREAS on April 21, 2011, a hearing with respect to the extension of the Temporary Cease Trade Order was held, and the panel of the Commission considered the evidence filed and the submissions made by Staff and O'Brien;

AND WHEREAS on April 21, 2011, the Commission ordered that:

a) the Temporary Cease Trade Order shall be extended until the conclusion of the hearing of the merits of this matter; and

b) O'Brien may, if he wishes to do so, apply to the Commission for an order revoking or varying this Order pursuant to section 144 of the Act;

AND WHEREAS also on April 21, 2011, O'Brien brought a motion regarding disclosure, wherein he sought an order from the Commission requiring Staff to provide him with all additional disclosure materials without requiring him to execute a further undertaking, and the panel of the Commission considered the evidence filed and the submissions made by Staff and O'Brien;

AND WHEREAS on April 21, 2011, the Commission ordered that Staff shall provide further disclosure materials to O'Brien without requiring the signing by him of an undertaking as to the confidentiality of that disclosure. The Commission further ordered that:

1) all disclosure materials provided to O'Brien are confidential and may be used by him only for the purpose of making full answer and defence in this proceeding. The use of disclosure materials for any other purpose is strictly prohibited. All disclosure materials provided to O'Brien are subject to the strict confidentiality restrictions imposed by section 16 of the Act;

2) O'Brien is also subject to the implied undertaking that all disclosure materials provided to him are subject to the restrictions on use referred to in paragraph (1);

3) the Previous Undertaking signed by O'Brien is binding upon him and applies by its terms to all of the disclosure materials provided by Staff to O'Brien, including all disclosure materials provided by Staff to O'Brien in the future; if O'Brien wishes to challenge the validity of the Previous Undertaking he is entitled to bring a motion before the Commission to do so; and

4) if O'Brien wishes to use the disclosure materials provided by Staff to him for any purpose other than as provided in paragraph (1), he must make an application to the Commission under section 17 of the Act for an order of the Commission consenting to that use;

AND WHEREAS at the confidential pre-hearing conference on May 30, 2011, Staff and O'Brien appeared and Staff sought to set dates for a hearing on the merits, while O'Brien advised the Commission that he was opposed to Staff's request. The Commission adjourned the hearing to June 20, 2011 at 10:00 a.m., for the purpose of setting the dates for the hearing on the merits;

AND WHEREAS at the confidential pre-hearing conference on June 20, 2011, Staff and O'Brien appeared and scheduling of the hearing on the merits was discussed and the Commission ordered that:

1. the hearing on the merits is to commence on March 12, 2012 at 10:00 a.m. at the offices of the Commission, and shall continue on March 14, 15, 16, 19, 20, 21, 22, 23, 26, and 28, 2012, or such further or other dates as may be agreed upon by the parties and fixed by the Office of the Secretary; and

2. a further confidential pre-hearing conference shall take place on January 11, 2012 at 10:00 a.m.;

AND WHEREAS at the confidential pre-hearing conference on January 11, 2012, Staff appeared and Counsel on behalf of O'Brien appeared, who advised the Commission that he had just been appointed to represent O'Brien in this matter and he requested that the pre-hearing conference be continued in a few weeks time to permit him to address certain matters that had just been brought to his attention. The Commission ordered that a further confidential pre-hearing conference take place on January 31, 2012 at 3:30 p.m.;

AND WHEREAS at the confidential pre-hearing conference on January 31, 2012, Staff and Counsel for O'Brien appeared and Counsel for O'Brien requested an adjournment of the hearing on the merits to permit interim issues to be raised before the Commission. Counsel for O'Brien also requested that the records from both the January 11 and 31, 2012 confidential pre-hearing conferences be sealed and treated as confidential. The Commission ordered that the hearing dates of March 12, 14, 15, 16, 19, 20, 21, 22, 23, 26 and 28, 2012 be vacated, a further confidential pre-hearing conference take place on March 12, 2012 at 10:00 a.m., and that the records from both the January 11 and 31, 2012 confidential pre-hearing conferences be sealed and treated as confidential pursuant to subsection 9(1) of the *Statutory Powers Procedure Act*, R.S.O. 1990, c. S.22, as amended (the "SPPA") and rule 8.1 and subrule 5.2(1) of the *Rules of Procedure*;

AND WHEREAS at the confidential pre-hearing conference on March 12, 2012, Staff and Counsel for O'Brien appeared and Counsel for O'Brien requested a confidential motion be scheduled to seek an adjournment of the hearing dates. The Commission ordered that a confidential motion take place on April 18, 2012 at 10:00 a.m., for which O'Brien shall serve and file a motion record, including any affidavits to be relied upon, by April 5, 2012 at 4:30 p.m., Staff shall serve and file any responding materials by April 12, 2012, O'Brien shall serve and file a factum by April 13, 2012, and Staff shall file its factum by April 16, 2012, and that the records from the March 12, 2012 confidential pre-hearing conference and from the April 18, 2012 confidential motion shall be sealed and treated as confidential pursuant to subsection 9(1) of the SPPA and rule 8.1 and subrule 5.2(1) of the *Rules of Procedure*;

AND WHEREAS at the confidential motion on April 18, 2012, Staff and Counsel for O'Brien appeared and Counsel for O'Brien presented evidence and requested an adjournment of any hearing dates and that a further confidential pre-hearing conference be scheduled. Staff did not oppose the adjournment request and agreed to the scheduling of a further pre-hearing conference. The Commission ordered that a confidential pre-hearing conference shall take place on July 19, 2012 at 10:00 a.m., for which O'Brien shall deliver any materials relevant to the pre-hearing conference by July 9, 2012, and that the records from the July 19, 2012 confidential pre-hearing conference shall be sealed and treated as confidential pursuant to subsection 9(1) of the SPPA and rule 8.1 and subrule 5.2(1) of the *Rules of Procedure*;

AND WHEREAS confidential pre-hearing conferences took place on July 19, 2012, September 28, 2012, October 25, 2012, March 11, 2013, July 18, 2013, September 30, 2013, and December 11, 2013, at which Staff and Counsel for O'Brien appeared, and the Commission ordered that the records from those confidential pre-hearing conferences be sealed and treated as confidential pursuant to subsection 9(1) of the SPPA and rule 8.1 and subrule 5.2(1) of the *Rules of Procedure*;

AND WHEREAS on December 11, 2013, the Commission ordered that a confidential pre-hearing conference take place on March 6, 2014 at 10:00 a.m.;

AND WHEREAS at the confidential pre-hearing conference on March 6, 2014, Staff appeared, and no one appeared for O'Brien. Staff made submissions and requested that a further confidential pre-hearing conference be scheduled, and the Commission ordered that a confidential pre-hearing conference take place on May 8, 2014 at 10:00 a.m.;

AND WHEREAS at the confidential pre-hearing conference on May 8, 2014, Staff and Counsel for O'Brien appeared, presented evidence, made submissions and requested that a further confidential pre-hearing conference be scheduled. The Commission ordered that a confidential pre-hearing conference shall take place on September 15, 2014 at 9:00 a.m, O'Brien shall file and serve any materials on which he intends to rely at the pre-hearing conference by September 8, 2014, and the records from the May 8, 2014 and September 15, 2014 confidential pre-hearing conferences shall be sealed and treated as confidential pursuant to subsection 9(1) of the SPPA and rule 8.1 and subrule 5.2(1) of the Rules of Procedure;

AND WHEREAS at the confidential pre-hearing conference on September 15, 2014, Staff and Counsel for O'Brien appeared, presented evidence, made submissions and requested that a further confidential pre-hearing conference be scheduled;

IT IS HEREBY ORDERED THAT:

1. a confidential pre-hearing conference shall take place on January 12, 2015 at 9:00 a.m.;

2. O'Brien shall file and serve any materials on which he intends to rely at the pre-hearing conference by January 8, 2015; and

3. t he records from the September 15, 2014 and January 12, 2015 confidential pre-hearing conferences shall be sealed and treated as confidential pursuant to subsection 9(1) of the SPPA and rule 8.1 and subrule 5.2(1) of the *Rules of Procedure*.

DATED at Toronto this 15th day of September, 2014.

"Mary G. Condon"

2.2.2 Alexander Christ Doulis and Liberty Consulting Ltd. – s. 127 and OSC Rules of Procedure

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

AND

IN THE MATTER OF
ALEXANDER CHRIST DOULIS
(aka ALEXANDER CHRISTOS DOULIS,
aka ALEXANDROS CHRISTODOULIDIS)
and LIBERTY CONSULTING LTD.

ORDER
(Section 127 of the Securities Act;
Ontario Securities Commission Rules of Procedure
(2012), 35 O.S.C.B. 10071)

WHEREAS on January 14, 2011, the Ontario Securities Commission (the "**Commission**") issued a Notice of Hearing, returnable on March 10, 2011, in relation to a Statement of Allegations brought by Staff of the Commission ("**Staff**") with respect to Alexander Christ Doulis (also known as Alexander Christos Doulis, also known as Alexandros Christodoulidis) ("**Doulis**") and Liberty Consulting Ltd. ("**Liberty**") (together, the "**Respondents**");

AND WHEREAS on March 10, 2011, the Commission heard an application by Staff for a temporary order, pursuant to section 127 of the Act, and the Commission reserved its decision;

AND WHEREAS on September 9, 2011, the Commission ordered (the "**Temporary Order**") that:

(1) Pursuant to paragraph 2 of subsection 127(1) of the Act and subsection 127(2) of the Act, Doulis and Liberty shall cease trading in any securities, except for the benefit of Doulis personally or that of his spouse, Sally Doulis;

(2) Pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Doulis and Liberty; and

(3) This Order shall take effect immediately and remain in effect until the completion of the Merits Hearing or until further order of the Commission.

AND WHEREAS on April 12, 2012, at a status update hearing, the Commission ordered that this matter should return before the Commission on May 29, 2012 for a Pre-Hearing Conference;

AND WHEREAS on May 29, 2012, the Pre-Hearing Conference was adjourned to June 12, 2012;

AND WHEREAS on June 12, 2012, on the consent of Staff and counsel for Doulis, the Pre-Hearing Conference was adjourned to June 26, 2012;

AND WHEREAS on June 26, 2012, a Pre-Hearing Conference was held, and on the consent of Staff and counsel for Doulis, the hearing on the merits ("**Merits Hearing**") was scheduled for February 4, 5, 6, 7, 8, 11 and 13, 2013, and the Pre-Hearing Conference was adjourned to be continued on August 17, 2012;

AND WHEREAS on August 17, 2012, a Pre-Hearing Conference was held, and on the consent of Staff and counsel for Doulis, the Pre-Hearing Conference was adjourned to be continued on September 18, 2012, at 4:00 p.m.;

AND WHEREAS on September 13, 2012, Staff advised the Commission that Staff and counsel for Doulis and Liberty agreed that the Pre-Hearing Conference scheduled for September 18, 2012 should be vacated and the matter continued to the Merits Hearing;

AND WHEREAS the Merits Hearing took place on February 4, 7, 8, 11 and 13, 2013 and on April 3, 4 and 5, 2013, and closing submissions were scheduled to be heard on July 3, 2013;

AND WHEREAS on April 5, 2013, the Commission, with the consent of Staff and counsel for Doulis, ordered that Staff must file and serve its written submissions by May 17, 2013, the Respondents must file and serve their written submissions by May 31, 2013, Staff must file and serve its written reply submissions by June 7, 2013, and that closing arguments would be heard at an oral hearing on July 3, 2013;

AND WHEREAS Staff filed and served its written submissions on May 17, 2013 and Doulis filed his written submissions on May 27, 2013, but Doulis did not serve his written submissions on Staff until June 13, 2013;

AND WHEREAS the written submissions that Doulis served on Staff differed from the written submissions that he filed with the Office of the Secretary;

AND WHEREAS on May 23, 2013, Doulis filed and served a document titled "Notice of Constitutional Question" which appears to have been served on the Attorney General of Ontario and the Attorney General of Canada, with respect to constitutional submissions he proposes to make in this matter;

AND WHEREAS at the hearing on July 3, 2013, it became clear that the matter is not ready to be heard;

AND WHEREAS on July 3, 2013, the Commission ordered that: (i) the hearing scheduled for July 3, 2013 is vacated; (ii) by July 10, 2013, Doulis shall file his written submissions with the Office of the Secretary in accordance with Rule 1.5.4 of the Commission's *Rules of Procedure* (2012), 35 O.S.C.B. 10071 (the "**Rules**"), and serve his written submissions on Staff, in accordance with Rule 1.5.1

of the Rules; (iii) by July 10, 2013, Doulis shall file and serve his Notice of Constitutional Question, any responses received from the Attorney General of Ontario and the Attorney General of Canada, and his written submissions on the constitutional question; (iv) by July 24, 2013, Staff shall file and serve its written submissions in response to the documents filed and served by Doulis on July 3, 2013; (v) the closing argument of Staff and the Respondents will be heard on July 30, 2013, at 10:00 a.m., or such other date as is agreed by the parties and set by the Office of the Secretary; and (vi) by August 31, 2013, Staff shall file with the Office of the Secretary its redacted hearing brief, in accordance with the Commission's Practice Guideline – April 24, 2012, *Use and Disclosure of Personal Information in Ontario Securities Commission's Adjudicative Proceedings*;

AND WHEREAS on July 3, 2013, after the hearing, Doulis filed with the Office of the Secretary and advised that he served on Staff a document entitled "Factum of the Respondent Alexander Christ Doulis Submitted May 27, 2013, resubmitted Wednesday, July-03-13" and a brief containing a Notice of Constitutional Question and related documents;

AND WHEREAS the closing argument of Staff and the Respondents was heard on July 30, 2013, at 10:00 a.m.;

AND WHEREAS following the Merits Hearing, the Commission issued its Reasons and Decision with respect to the Merits Hearing on September 18, 2014;

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

IT IS HEREBY ORDERED THAT:

1. Staff shall serve and file written submissions on sanctions and costs by 4:00 p.m. on September 24, 2014;

2. the Respondents shall serve and file responding written submissions on sanctions and costs by 4:00 p.m. on September 29, 2014;

3. Staff shall serve and file reply written submissions on sanctions and costs (if any) by 4:00 p.m. on October 2, 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 October 7, 2014, at 3:00 p.m., or such further or other dates as agreed by the parties and set by the Office of the Secretary;

5. the hearing to determine sanctions and costs shall commence on October 7, 2014 at 3:00 p.m. and be conducted by way of an electronic hearing where only the Panel will participate via teleconference, as defined in section 1.1 of the Rules and subsection 1(1) of the *Statutory Powers Procedure Act*, RSO 1990, c S.22 as amended (the "**SPPA**"), unless a party objects as provided under subsection 5.2(2) of the SPPA;

6. a party who objects to the hearing on sanctions and costs being conducted by way of an electronic hearing where only the Panel will participate via teleconference, shall file and serve a notice of objection setting out the reasons for the objection within 5 days after receiving notice of the electronic hearing;

7. a notice of objection shall set out the reasons for the objection and be accompanied by any evidence and any law relied on in support of the objection satisfying the Panel that holding an electronic hearing by teleconference rather than an oral hearing is likely to cause the party significant prejudice; and

8. upon failure of any party to attend at the time and place aforesaid, or upon failure by any party to file and serve a notice of objection that holding the hearing on sanctions and costs by way of an electronic hearing by teleconference is likely to cause the party significant prejudice, 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 18th day of September, 2014.

"Vern Krishna"

2.2.3 Eric Inspektor

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

AND

IN THE MATTER OF
ERIC INSPEKTOR

ORDER

WHEREAS on March 28, 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"), in relation to a Statement of Allegations filed by Staff of the Commission ("Staff") on March 28, 2014, to consider whether it is in the public interest to make certain orders against Eric Inspektor (the "Respondent");

AND WHEREAS the Notice of Hearing set a hearing in this matter for April 15, 2014 at 10:00 a.m.;

AND WHEREAS on April 8, 2014, the hearing was rescheduled by the Commission to commence on April 30, 2014 at 10:00 a.m.;

AND WHEREAS on April 30, 2014, Staff submitted *inter alia* that its disclosure to the Respondent would be substantially completed before the end of May 2014;

AND WHEREAS on April 30, 2014, the Commission ordered that the hearing be adjourned to June 18, 2014;

AND WHEREAS on June 18, 2014, Staff confirmed that disclosure to the Respondent was substantially complete, and counsel to the Respondent submitted that she would require some time to review Staff's disclosure and address any issues arising from such disclosure;

AND WHEREAS on June 20, 2014, the Commission ordered that the hearing be adjourned to September 17, 2014;

AND WHEREAS on September 2, 2014, counsel for the Respondent, Crawley Mackewn Brush LLP ("CMB"), filed a notice of motion, pursuant to Rule 1.7.4 of the Commission's *Rules of Procedure* (2014), 37 O.S.C.B. 4168, for leave to withdraw as representative for the Respondent and requesting that the motion be heard in writing (the "Withdrawal Motion");

AND WHEREAS the affidavit filed by CMB states that the Respondent intends to represent himself;

AND WHEREAS on September 15, 2014, the Commission ordered that the Withdrawal Motion be heard in writing and granted CMB leave to withdraw as representative for the Respondent;

AND WHEREAS on September 17, 2014, Staff and the Respondent appeared and made submissions before the Commission;

AND WHEREAS the Respondent advised that he is seeking an order pursuant to section 17 of the Act authorizing disclosure of certain documents which the Respondent received from Staff in pursuant to Staff's disclosure obligations (the "Section 17 Motion");

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

IT IS ORDERED that:

1. the Respondent shall file a notice of motion by October 6, 2014;
2. the Respondent shall serve and file motion materials by October 15, 2014, including a description of the materials sought to be disclosed and the specific purpose for which an order pursuant to section 17 of the Act is sought;
3. Staff shall serve and file any responding materials on or before October 20, 2014 at noon;
4. the Section 17 Motion shall be heard on October 21, 2014 at 2:30 p.m.; and
5. this hearing is adjourned to November 3, 2014 at 10:00 a.m.;

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

"Mary Condon"

2.2.4 Wealth Stewards Portfolio Management Inc. and Sushila Lucas – s. 8(4) of the Act and Rule 9.2 of the OSC Rules of Procedure

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

AND

IN THE MATTER OF
WEALTH STEWARDS PORTFOLIO MANAGEMENT INC. and SUSHILA LUCAS

ORDER
(Subsection 8(4) of the Act and Rule 9.2 of the OSC Rules of Procedure)

WHEREAS Wealth Stewards Portfolio Management Inc. ("Wealth Stewards") is registered as an adviser in the category of portfolio manager and the majority of the accounts advised by Wealth Stewards are managed by an appropriately registered sub-adviser;

AND WHEREAS on June 13, 2014, a Director of the Compliance and Registrant Regulation branch of the Ontario Securities Commission (the "Commission") issued a decision with respect to the registrations of Wealth Stewards and Sushila Lucas ("Lucas") that:

(a) the registration of Wealth Stewards be suspended indefinitely;

(b) the registration of Lucas as ultimate designated person ("UDP") and chief compliance officer ("CCO") be suspended for a period of three years;

(c) the registration of Lucas as an advising representative be suspended for a period of six months;

(d) Lucas successfully complete the *Partners, Directors and Senior Officers Course* (the "PDO") before applying for reinstatement of registration as a UDP;

(e) Lucas successfully complete both the PDO and the Chief Compliance Officers Qualifying Exam before applying for reinstatement of registration as a CCO; and

(f) Lucas successfully complete the *Conduct and Practices Handbook Course* before applying for reinstatement as an advising representative

(the "Director's Decision");

AND WHEREAS on June 18, 2014, Wealth Stewards and Lucas (together the "Applicants") requested a hearing and review of the Director's Decision by the Commission pursuant to subsection 8(2) of the *Securities Act*, R.S.O. 1990, c.S.5, as amended (the "Act") (the "Hearing and Review") and pursuant to subsection 8(4) of the Act, the Applicants requested a stay of the Director's Decision pending the disposition of the Hearing and Review;

AND WHEREAS on June 23, 2014, on the consent of the parties, the Commission ordered that the Director's Decision be stayed until the conclusion of the Hearing and Review by the Commission, subject to the following conditions:

(1) the stay order shall continue in force until the parties have the opportunity at the Hearing and Review to address the issuance of a further stay order by the Panel presiding over the Hearing and Review, and shall continue in force until August 29, 2014 or upon further order of the Commission;

(2) the Applicants shall serve and file the record of the proceeding before the Director, any statement of fact and law and shall comply with Rule 14.5 of the OSC *Rules of Procedure* by August 19, 2014;

(3) Staff of the Commission shall deliver any record in response, any statement of fact and law and shall comply with Rule 14.5 by August 25, 2014;

(4) the Hearing and Review shall be heard on August 28 and 29, 2014;

(5) the Applicants shall post a link to the Director's Decision and this Order on the homepage of the Wealth Stewards website forthwith with a description of the links;

(6) the Applicants shall provide a copy of the Director's Decision and this Order to all existing clients;

(7) Wealth Stewards may state on its website and when providing the Director's Decision to clients that "the decision to suspend the registration of Wealth Stewards was stayed on terms pursuant to the decision of the Commission dated June 23, 2014. An application for a hearing and review of the Director's Decision under section 8 of the Act has been requested and is scheduled for August 28 and 29, 2014 before a panel of the Commission," and may not otherwise make any public statements on its website or in any press release that is inconsistent with the Director's Decision and/or this Order;

(8) the Applicants shall not accept any new clients in respect of Wealth Stewards' portfolio management business;

(9) the Applicants shall ensure that all currently sub-advised managed accounts continue to be sub-advised by an appropriately registered portfolio manager;

(10) any contact or communication between Wealth Stewards and its clients in respect of its portfolio management business must be made solely by Lucas, and any recommendations in respect of any managed accounts advised by Wealth Stewards must be made solely by Lucas; and

(11) until further order by the Commission, Wealth Stewards shall not permit Bruce Deck to withdraw any funds or otherwise receive any compensation whatsoever in respect of Wealth Stewards' portfolio management business accrued between the date of the Director's Decision and the date of the decision on the Hearing and Review;

(the "Stay Order");

AND WHEREAS on July 31, 2014, the Applicants advised the Commission that they were pursuing a sale of the assets of Wealth Stewards and expected that an application pursuant to section 11.9 or 11.10 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") in respect of Wealth Stewards would be filed with the Commission by August 14, 2014 and, as a result, the Applicants sought an adjournment of the Hearing and Review to September 25 and 26, 2014;

AND WHEREAS on August 1, 2014, on the consent of the parties, the Commission made the following order (the "August 1, 2014 Order"):

(1) subject to the modifications to the Stay Order set out herein, the Stay Order is extended until the parties have the opportunity at the Hearing and Review to address the issuance of a further stay order by the Panel presiding over the Hearing and Review, and in any event shall continue in force no later than September 26, 2014;

(2) the Hearing and Review scheduled pursuant to the Stay Order is adjourned to September 25, 2014 commencing at 10:00 a.m. and shall continue on September 26, 2014 commencing at 10:00 a.m.;

(3) paragraph (2) of the Stay Order is deleted and replaced by the following:

> The Applicants shall serve and file the record of the proceeding before the Director, any statement of fact and law and shall comply with Rule 14.5 of the OSC *Rules of Procedure* by September 16, 2014;

(3) paragraph (3) of the Stay Order is deleted and replaced by the following:

> Staff of the Commission shall deliver any record in response and any statement of fact and law, and shall comply with Rule 14.5, by September 22, 2014;

(4) paragraph (7) of the Stay Order is deleted and replaced by the following:

> Wealth Stewards may state on its website and when providing the Director's Decision to clients that "the decision to suspend the registration of Wealth Stewards was stayed on terms pursuant to the decision of the Commission dated June 23, 2014. An application for a hearing and review of the Director's Decision under section 8 of the Act has been requested and is scheduled for September 25 and 26, 2014 before a panel of the Commission;" and

(5) Wealth Stewards may not otherwise make any public statements on its website or in any press release that is inconsistent with the Director's Decision and/or this Order;

AND WHEREAS on August 22, 2014, Wealth Stewards filed an application pursuant to section 11.10 of NI 31-103 in respect of a proposed sale of all outstanding shares of Wealth Stewards (the "Section 11.10 Application");

AND WHEREAS on September 12, 2014, the Applicants advised the Commission that they seek an adjournment of the Hearing and Review to November 6 and 7, 2014 and to an extension of the timelines set out at paragraphs (2) and (3) of the August 1, 2014 Order to allow additional time for the Director to consider the section 11.10 Application and for the parties to engage in discussions regarding a possible settlement of the Hearing and Review;

AND WHEREAS Staff consents to the adjournment request and to the extension of the timelines set out in paragraphs 2 and 3 of the August 1, 2014 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:

(1) subject to the modifications to the Stay Order set out in the August 1, 2014 Order and herein, the Stay Order is extended until the parties have the opportunity at the Hearing and Review to address the issuance of a further stay order by the Panel presiding over the Hearing and Review, and in any event shall continue in force until no later than November 7, 2014;

(2) the Hearing and Review scheduled pursuant to the Stay Order and adjourned pursuant to the August 1, 2014 Order is further adjourned to November 6, 2014 commencing at 10:00 a.m. and shall continue on November 7, 2014 commencing at 10:00 a.m.;

(3) paragraphs (2) and (3) of the August 1, 2014 Order are deleted and replaced by the following:

(a) The Applicants shall serve and file the record of the proceeding before the Director, any statement of fact and law and shall comply with Rule 14.5 of the OSC *Rules of Procedure* by October 27, 2014;

(b) Staff of the Commission shall deliver any record in response and any statement of fact and law, and shall comply with Rule 14.5, by November 3, 2014;

(4) paragraph (4) of the August 1, 2014 Order is deleted and replaced by the following:

> Wealth Stewards may state on its website and when providing the Director's Decision to clients that "the decision to suspend the registration of Wealth Stewards was stayed on terms pursuant to the decision of the Commission dated June 23, 2014. An application for a hearing and review of the Director's Decision under section 8 of the Act has been requested and is scheduled for November 6 and 7, 2014 before a panel of the Commission;" and

(5) Wealth Stewards may not otherwise make any public statements on its website or in any press release that is inconsistent with the Director's Decision, the Stay Order, the August 1, 2014 Order and/or this Order.

DATED at Toronto this 18th day of September, 2014.

"James E. A. Turner"

2.2.5 Paul Azeff et al. – Rules 1.6(2) and 3 of the OSC Rules of Procedure and s. 9 of the SPPA

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

AND

IN THE MATTER OF
PAUL AZEFF, KORIN BOBROW, MITCHELL FINKELSTEIN,
HOWARD JEFFREY MILLER AND MAN KIN CHENG (a.k.a. FRANCIS CHENG)

ORDER
(Rules 1.6(2) and 3 of the Ontario Securities Commission Rules of Procedure
(2014), 37 O.S.C.B. 4168; Section 9 of the Statutory Powers Procedure Act, R.S.O. 1990, c. S.22)

WHEREAS on September 19, 2014, counsel for the respondents Paul Azeff ("**Azeff**"), Korin Bobrow ("**Bobrow**") brought a motion for directions relating to the Ontario Securities Commission's (the "**Commission**") order of July 16, 2013 for production from the Canadian Imperial Bank of Commerce ("**CIBC**");

AND UPON hearing and considering submissions made by counsel for Azeff and Bobrow, counsel for CIBC and Enforcement Staff of the Commission, the Commission is of the opinion that it is in the public interest to issue this Order;

IT IS HEREBY ORDERED that:

1. CIBC shall produce to counsel for Azeff and Bobrow information still in possession of the CIBC for all trades executed under the IA codes registered to Azeff and/or Bobrow between January 1, 2002 and December 31, 2009 in an electronic spreadsheet format that is not redacted (the "**Trading Records**") ;

2. The parties shall keep the Trading Records confidential;

3. At the hearing on the merits in this matter, the names of clients of CIBC shall be referred to by first name and first initial of their last name;

4. At the hearing on the merits in this matter, the Trading Records and other emails identifying clients of CIBC shall not appear on the public screen; and

5. At the hearing on the merits in this matter, the Trading Records and other emails identifying clients of CIBC shall be protected under a confidentiality order, as necessary.

DATED at Toronto this 19th day of September, 2014.

"Alan Lenczner"

2.2.6 Chicago Mercantile Exchange Inc. – s. 21.2.2

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

AND

IN THE MATTER OF
CHICAGO MERCANTILE EXCHANGE INC.

ORDER
(Section 21.2.2 of the Act)

WHEREAS Chicago Mercantile Exchange Inc. (CME) has filed an application dated July 21, 2014 (Application) with the Ontario Securities Commission (Commission) requesting an order pursuant to section 21.2.2 of the Act designating CME as a trade repository;

AND WHEREAS CME has represented to the Commission that:

1.1 CME is a corporation organized under the laws of the State of Delaware in the United States (U.S.) and is a wholly owned subsidiary of CME Group Inc. (CMEG), a publicly traded for-profit corporation organized under the laws of Delaware and listed for trading on the NASDAQ Global Select Market. CMEG is the ultimate parent company of: (i) CME; (ii) Board of Trade of the City of Chicago, Inc.; (iii) Commodity Exchange, Inc.; and (iv) New York Mercantile Exchange, Inc.;

1.2 In the U.S., CME operates under the jurisdiction of the Commodity Futures Trading Commission (CFTC), is registered with the CFTC as a designated contract market (DCM) and a derivatives clearing organization (DCO) within the meanings of those terms under the U.S. *Commodity Exchange Act* (CEA), and has received temporary registration with the CFTC as a swap execution facility. The DCM and DCO operations are organized under separate divisions within CME: CME Exchange Division and CME Clearing Division respectively;

1.3 CME is also deemed to be registered with the Securities and Exchange Commission (SEC) as a securities clearing agency, effective July 16, 2011, in accordance with certain provisions under subsection 763(b) of the *Dodd Frank Wall Street Reform and Consumer Protection Act*, and is therefore also subject to limited regulatory supervision by the SEC in connection with its offering of clearing services for single stock and narrow-based security index products;

1.4 On November 20, 2012, CME became provisionally registered with the CFTC as a swap data repository (SDR) to provide SDR services supporting credit, interest rates, other commodities (Commodities) and foreign exchange (FX) asset classes through its CME Repository Service. Similar to the DCM and DCO operations, the SDR operations are organized under a separate division within CME: CME SDR Division (CME SDR). CME's global repository service currently includes CME SDR and CME European Trade Repository, a European Securities and Markets Authority (ESMA) approved European Markets Infrastructure Regulation (EMIR) trade repository, and will include the trade repository services offered by CME in Canada (Canadian Trade Repository or CTR) when it becomes designated as a trade repository by the Commission. CME is obliged under CFTC rules to have requirements governing the conduct of SDR participants, to monitor compliance with those requirements and to discipline SDR participants;

1.5 CME seeks to be designated as a trade repository in order to (i) act as the trade repository for all transactions that it clears on behalf of clearing members that are "local counterparties", and (ii) offer trade repository services in Ontario to "local counterparties" that complete and sign the applicable repository services user agreements with respect to the following asset classes: credit, interest rates, Commodities and FX;

1.6 CME has no physical presence in Ontario and does not otherwise carry on business in Ontario or any other Canadian province or territory, except for a CMEG marketing office in Calgary, Alberta whose activities are limited to marketing and developing energy products; and

1.7 CME will meet and comply with all applicable requirements for designated trade repository under Ontario securities laws;

AND WHEREAS CME will be subject to the requirements in OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting*, as amended from time to time (OSC Rule 91-507);

AND WHEREAS the CFTC, the Alberta Securities Commission, the British Columbia Securities Commission, the Autorité des marchés financiers and the Commission have entered into a Memorandum of Understanding regarding cooperation and the exchange of information related to the supervision of cross-border covered entities, dated March 25, 2014;

AND WHEREAS the Director has granted an exemption in part from the requirement under subsection 17(5) of OSC Rule 91-507, as set out in Schedule "B" of this order.

AND WHEREAS based on the Application and the representations CME has made to the Commission, the Commission has determined that it is in the public interest to designate CME as a trade repository pursuant to section 21.2.2 of the Act, subject to the terms and conditions that are set out in Schedule "A" of this order;

AND WHEREAS CME has agreed to the respective terms and conditions that are set out in Schedule "A" of this order;

AND WHEREAS CME has demonstrated that it is or will be compliant with applicable requirements in OSC Rule 91-507 by October 31, 2014 and the respective terms and conditions that are set out in Schedule "A" of this order;

AND WHEREAS the Commission will monitor developments in international and domestic capital markets and CME's activities on an ongoing basis to determine whether it is appropriate that CME continues to be designated subject to the terms and conditions in this order and whether it is appropriate to amend this order and the terms and conditions thereunder pursuant to section 144 of the Act;

IT IS ORDERED by the Commission that CME be designated as a trade repository pursuant to section 21.2.2 of the Act;

PROVIDED THAT CME complies with the applicable requirements in OSC Rule 91-507 and the terms and conditions attached hereto as Schedule "A" of this order.

DATED September 19, 2014.

"Edward P. Kerwin" *"AnneMarie Ryan"*

SCHEDULE "A"

TERMS and CONDITIONS

DEFINITIONS

For the purposes of this Schedule:

"Ontario-based participant" means a participant that (a) is a person or company organized under the laws of Ontario or that has its head office or principal place of business in Ontario, (b) is registered under Ontario securities law as a derivatives dealer or in an alternative category as a consequence of trading in derivatives, or (c) is an affiliate of a person or company described in (a) and such person or company is responsible for the liabilities of that affiliated party.

"Ontario securities law" has the meaning ascribed to it in subsection 1(1) of the Act;

"Rule" means a proposed new, amendment to, or deletion of, any provision or other requirement in the CME CTR Rulebook or similar documents governing the rights and obligations between CME and its Ontario-based participants.

"Rule Subject to Approval" has the meaning ascribed to it in the Rule and Approval Protocol at Appendix "B" to this Schedule.

Unless the context otherwise requires, other terms used in this Schedule "A" and its Appendices have the meanings ascribed to them in Ontario securities law (including terms defined elsewhere in this designation order).

REGULATION IN HOME JURISDICTION

1. CME shall maintain its status as a SDR in the United States and will continue to be subject to the regulatory oversight of the CFTC.

2. CME shall continue to comply with its ongoing regulatory requirements as a SDR in the United States.

3. CME shall provide prompt written notice to the Commission of any material change or proposed material change to its status as a SDR in the United States or the regulatory oversight of the CFTC.

OWNERSHIP OF PARENT

4. CME shall provide to the Commission 90 days prior written notice and a detailed description and assessment of impact of a change in control of CME Group, Inc.

SERVICES OFFERED

5. CME shall not act as a trade repository designated in Ontario to which reporting counterparties report trades in an asset class other than commodity, credit, interest rate, and foreign exchange, to meet the reporting requirements under OSC Rule 91-507 without prior written approval of the Commission.

ACCESS AND PARTICIPATION

6. CME shall, on a semi-annual basis, filed 30 days after the end of each period, provide the Commission with a list that specifies each self-identified Ontario-based participant that has been granted access to CME's Canadian Trade Repository services.

7. CME shall promptly notify the Commission when an applicant has been denied access to CME's Canadian Trade Repository services and who would otherwise be an Ontario-based participant.

DATA REPORTING

(a) Collection of Data

8. CME shall provide the Commission with notice of any material changes to the specifications of the methods (including templates and systems) used to collect data reported to it under OSC Rule 91-507 from participants, or to the definition, structure and format of the data at least 45 days before implementing the changes. For non-material changes to the specifications of the methods used to collect data from participants, or to the definition, structure and format of the data, CME shall provide the Commission with notice at least one week before implementing the changes.

9. CME shall amend, create, remove, define or otherwise modify any data fields (including format) required to be reported by participants who are reporting, or who are reporting on behalf of reporting counterparties, under OSC Rule 91-507, in a manner and within a time frame required by the Commission from time to time after consultation with CME and taking into consideration any practical implication of such modification on CME.

10. CME shall use best efforts to continue to adapt to relevant internationally accepted communication procedures and standards for the collection and reporting of data for each required data field under OSC Rule 91-507 as requested by the Commission, in a manner and within a time frame acceptable to the Commission.

11. For life-cycle event data that is required to be reported under OSC Rule 91-507, CME shall include time stamps to each life-cycle event and link to the creation data and data relating to the original transaction.

12. For any data fields that are specific to a particular asset class or product required to be reported under OSC Rule 91-507 for each transaction, CME shall provide Ontario-based participants with the option to populate a value indicating that a field is not applicable to the transaction.

13. CME shall determine a subset of mandatory fields required for transactions that are required to be reported under OSC Rule 91-507, which if not populated with a value will cause a transaction to be rejected, and shall reject transactions required to be reported under OSC Rule 91-507 accordingly.

(b) Public Dissemination of Data

14. CME shall ensure that data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 is in a format, and is disseminated in a manner, that is acceptable to the Commission. Without limiting the generality of the foregoing, CME shall ensure that such data is readily available and easily accessible to the public through the homepage of its CTR website.

15. CME shall ensure that aggregate data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 satisfies the criteria set out in Appendix "A" to this Schedule, as amended from time to time. CME shall ensure that all other data required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 is not made publicly available until the Commission has approved of the method and format of the dissemination.

16. CME shall (a) anonymize, and (b) make any other modifications based on thresholds or other criteria to data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507, in a manner prescribed by the Commission.

17. CME shall exclude any transactions that are marked as "inter-affiliate" when submitted to CME from data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507.

18. CME shall amend, create, remove, define or otherwise modify the structure of data (including format) required to be publicly disseminated pursuant to section 39 of OSC Rule 91-507 in a manner and within a timeframe required by the Commission from time to time after consultation with CME and taking into consideration any practical implication of such modification on CME.

19. Upon the Commission's request, CME shall delay, and subsequently resume, the public dissemination of data that is required to be disseminated pursuant to section 39 of OSC Rule 91-507 in a manner and within a time frame acceptable to the Commission.

(c) Provision of Data to the Commission

20. For greater clarity with respect to section 37 of OSC Rule 91-507, CME shall at a minimum, on a daily basis, provide the Commission with creation data that reflects life-cycle events up to and including the most current life-cycle event and valuation data through secured portal access with respect to data reported to it under OSC Rule 91-507; as well as work with the Commission to provide data reported to it under OSC Rule 91-507 that is in CME's possession as is required by the Commission to fulfill its mandate, including but not limited to creation, life-cycle event, and valuation data, through secured portal and, if necessary, SFTP access, in a manner and within a timeframe acceptable to the Commission.

21. CME shall work with the Commission to provide such reports as may be required by the Commission, including but not limited to life-cycle event and transaction level reports relating to data reported to it under OSC Rule 91-507, in a manner and within a timeframe acceptable to the Commission.

22. CME shall ensure that a version number, including a date stamp, clearly identifies changes to the processes used to extract and load data that is required to be reported to the Commission pursuant to OSC Rule 91-507 using industry best practices. Unless otherwise subject to the filing of an amendment to Form 91-507F1 pursuant to section 3 of OSC Rule 91-507, a

summary of the changes to the processes used to extract and load data should be provided to the Commission one week in advance of these changes.

23. When a transaction is subdivided into a series of units with multiple settlement dates, CME shall provide the settlement price value of each unit based on its terms. The aggregate value of all individual units in a product's position must equal the market value of the equivalent aggregate open positions for each participant.

CHANGE OF INFORMATION

24. In the event that CME is required to file an amendment to Form 91-507F1 under subsection 3(1) of OSC Rule 91-507 and the proposed change must also be filed with the CFTC, CME may satisfy its filing requirement under subsection 3(1) of OSC Rule 91-507 by providing the information filed with the CFTC concurrently to the Commission. Where a significant change to a matter set out in Form 91-507F1 is not otherwise subject to filing with the CFTC or the significant change is Canadian-specific in that it relates solely to the trade repository activities of CME in Canada, CME shall comply with the filing requirement as set out in subsection 3(1) of OSC Rule 91-507.

RULES

25. CME shall apply only the CTR Rulebook to its Canadian Trade Repository services.

26. CME shall provide to the Commission, no later than 10 business days prior to the intended effective date, a Rule Subject to Approval in accordance with Appendix "B" to this Schedule.

27. In the event that CME is required to file a Rule with the CFTC for approval, CME shall provide to the Commission, concurrently with filing with the CFTC and no later than 10 business days prior to the intended effective date, a Rule that is not a Rule Subject to Approval but that is applicable to Ontario-based participants.

28. CME shall file with the Commission on a quarterly basis, within 30 days after the end of each quarter, a copy of its Rules showing all cumulative changes to the Rules made during the quarter.

SYSTEMS

29. CME shall provide at least 30 days prior notice to the Commission before finalizing the scope of the review required under subsection 21(6) of OSC Rule 91-507, and after consultation with the Commission, CME shall make any reasonable amendments to the scope as requested by the Commission.

FEES

30. CME shall, by October 31, 2016 and at other times thereafter as requested by the Commission, conduct a review of its fees for its Canadian Trade Repository services. CME shall provide a written report on the outcome of such review to the Commission within 30 days after the completion of the review.

COMMERCIALIZATION OF DATA

31. CME shall not unreasonably restrict the access to and use of data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507.

32. CME shall not restrict the access to and use of data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 without prior written approval of the Commission.

33. CME shall provide the Commission with 30 days prior written notice of any intended changes to the terms of access or use as they pertain to data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507, which will include a detailed description of any such changes.

34. CME shall not, as a term or condition of becoming a participant or as a term or condition of reporting data reported to it under OSC Rule 91-507 by a participant, require the consent of the participant to the release of any or all reported data for commercial or business purposes.

35. For greater clarity with respect to paragraph 22(2)(a) of OSC Rule 91-507, CME shall not release data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 for commercial or business purposes until after its public dissemination.

36. CME shall be responsible for securing any and all necessary consents from any third parties whose proprietary information is contained in the data reported to it under OSC Rule 91-507 before releasing it for commercial or business purposes.

37. In addition to the requirements set out in subsection 22(2) of OSC Rule 91-507, CME shall not release data that is required to be reported pursuant to OSC Rule 91-507 for commercial or business purposes in relation to a product or service line without the Commission's prior written approval of the type and nature of the commercial or business product or service line in the following manner:

(a) CME shall provide the Commission with written notification of the type and nature of the commercial or business product or service line at least 10 business days prior to the intended launch date of the product or service line;

(b) If Commission staff within 10 business days of receipt of the notification do not object to such product or service line, then the product or service line shall be deemed to be approved by the Commission;

(c) If Commission staff within 10 business days of receipt of the notification object to such product or service line, then the Commission will review and make a decision regarding approval of such product or service line within 30 days of CME providing notification to the Commission pursuant to paragraph (a) above.

TRANSITION REQUIREMENTS

38. CME shall achieve the milestones set out in in Appendix "C" to this Schedule with respect to the development and implementation of its services.

39. Following its designation, CME shall facilitate to the satisfaction of the Commission the testing of access and connectivity to its systems by the Commission.

40. Following its designation in Ontario, CME shall conduct testing and achieve results satisfactory to the Commission to gain assurance that data and reports that are required to be reported to the Commission through CME's Canadian Trade Repository Services reflect accurately and completely all data that is required to be reported by Ontario-based participants under OSC Rule 91-507. CME shall provide summary results of such testing to the Commission promptly after the completion of such testing.

41. For a period of 2 years from the date of this order, filed 30 days after the end of each quarter, CME shall provide a report summarizing (a) the number of applications in Ontario for access to CME's Canadian Trade Repository services outstanding at the end of each quarter, and (b) any material issues encountered during each quarter relating to the onboarding of new participants or reporting from Ontario-based participants as well as CME's plans to address them.

42. Following its designation in Ontario, and on an ongoing basis, CME shall (a) ensure that appropriate access, including direct access, data feeds, browser and internet-based interfaces, reports or any other relevant form of access, is provided to the Commission, and (b) ensure that its systems are secure and that any security vulnerabilities are monitored and promptly corrected once identified.

43. Following its designation in Ontario, CME shall ensure that any necessary maintenance and enhancement of its trade repository services and systems is being appropriately prioritized and staffed, and that any issues are appropriately escalated to senior management.

REPORTING REQUIREMENTS

44. CME shall promptly notify the Commission of any event, circumstance, or situation that could materially prevent CME's ability to continue to comply with the terms and conditions of the order.

45. CME shall, as soon as reasonably possible, notify the Commission of any intended use of its emergency powers to modify, limit, suspend or interrupt its Canadian Trade Repository services.

46. CME shall promptly provide to the Commission information regarding any material known investigations or legal proceedings instituted against it, to the extent that it is not prohibited from doing so under applicable law.

47. CME shall promptly provide to the Commission the details of any appointment of a receiver or the making of any voluntary arrangement with its creditors.

INFORMATION SHARING AND REGULATORY COOPERATION

48. CME shall provide to the Commission any information related to its business as a designated trade repository as may be requested from time to time, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

49. CME shall provide regulators other than the Commission with access to data that is required to be reported pursuant to Ontario securities law in compliance with the relevant laws and regulations governing such access.

APPENDIX "A"

DRAFT CANADIAN PUBLIC AGGREGATE DATA REPORTING TEMPLATE

A trade repository designated in Ontario (an "Ontario-designated TR") is required to publically disseminate the range and type of aggregate metrics set out in this Appendix "A" in order to satisfy its obligations under section 39 of OSC Rule 91-507.

Part I. Current Notional and Number of Positions Outstanding

1. For each reporting period, an Ontario-designated TR must publish on the Report Date

   (a) the gross notional amount of all open positions, and

   (b) the total number of positions outstanding.

2. At a minimum, an Ontario-designated TR must publish the data described in section 1 for the following reporting periods:

   (a) current week,

   (b) previous week, and

   (c) four weeks prior to the current week.

3. An Ontario-designated TR must publish the data required by section 1 according to the following breakdowns:

   (a) Asset Class: Commodity, Interest Rate, Credit, Foreign Exchange and Equity;

   (b) Asset Classes in (a) by Tenor: 0-3 month, 3-6 month, 6-12 months, 12-24 months, 24-60 months, and greater than 60 months; and

   (c) Asset Classes in (a) by cleared/uncleared.

4. An Ontario-designated TR must publish the data required by section 1 according to the following Product Categories for each Asset Class:

Commodities	Interest Rate	Credit	Foreign Exchange	Equity
Metals	IR Swap	Single Name-Sovereign	Non-deliverable forwards	Single Name Swap
Power	FRA	Single Name-Non-Sovereign	Non-deliverable options	
Natural Gas	Cross Currency	Index (including Index tranche)	Forward	Single Index Swap
Oil	Option (Including cap/floor)	Total Return Swap	Vanilla Option	Basket Swap
Coal	Exotic	Swaptions	Exotic	Contract For Difference
Index	Other	Exotic	Other	Option
Agriculture		Other		Forward
Environment				Exotic
Freight				Other
Exotic				
Other				

5. Despite section 4, an Ontario-designated TR must publish the data required by section 1 for a particular Product Category specified in section 4 under the category of "Other" where there is less than 30 open positions in that Product Category for a given period.

6. Despite sections 3 and 4, an Ontario-designated TR is not required to report the gross notional amount of all open positions for the "Commodity" Asset Class.

7. An Ontario-designated TR must commence publication of the data required under this Part I Section 2.a beginning the week ending November 28th. An Ontario-designated TR must commence publication of the data required under this Part I Section 2.a and 2.b beginning the week ending December 5th. An Ontario-designated TR must commence publication of the data required under this Part I Section 2.a, 2.b, 2c beginning the week ending December 19th.

Part II. Turnover Notional and Number of Transactions

1. For each reporting period, an Ontario-designated TR must publish on the Report Date

   (a) the gross notional turnover (i.e. the gross notional amount of all new transactions entered into for that period), and

   (b) the total number of transactions.

2. At a minimum, an Ontario-designated TR must publish the data described in section 1 for the following reporting periods:

   (a) current week,

   (b) previous week, and

   (c) the trailing 4-week period.

3. An Ontario-designated TR must publish the data required by section 1 according to the following breakdowns:

   (a) Asset Class: Commodity, Interest Rate, Credit, Foreign Exchange and Equity;

   (b) Asset Classes in (a) by Tenor: 0-3 month, 3-6 month, 6-12 months, 12-24 months, 24-60 months, and greater than 60 months; and

   (c) Asset Classes in (a) by cleared/uncleared.

4. An Ontario-designated TR must publish the data required by section 1 according to the following Product Categories for each Asset Class:

Commodities	Interest Rate	Credit	Foreign Exchange	Equity
Metals	IR Swap	Single Name-Sovereign	Non-deliverable forwards	Single Name Swap
Power	FRA	Single Name-Non-Sovereign	Non-deliverable options	
Natural Gas	Cross Currency	Index (including Index tranche)	Forward	Single Index Swap
Oil	Option (Including cap/floor)	Total Return Swap	Vanilla Option	Basket Swap
Coal	Exotic	Swaptions	Exotic	Contract For Difference
Index	Other	Exotic	Other	Option
Agriculture		Other		Forward
Environment				Exotic

Commodities	Interest Rate	Credit	Foreign Exchange	Equity
Freight				Other
Exotic				
Other				

5. Despite section 4, an Ontario-designated TR must publish the data required by section 1 for a particular Product Category specified in section 4 under the category of "Other" where there are fewer than five new transactions a week in that Product Category during the previous four-week period.

6. Despite sections 3 and 4, an Ontario-designated TR is not required to report the turnover notional amount for the "Commodity" Asset Class.

7. An Ontario-designated TR must commence publication of the data required under this Part II beginning the week ending December 12th.

Explanatory Notes

Currency	The denomination currency of the reports is **Canadian dollars**. TRs are free to choose the conversion rate, but need to include the source in the reports. If the denomination currency of a transaction is non-Canadian dollar, the Canadian dollar equivalent notional amount should be calculated with report run date conversion rate.
Number of transactions	Represents the number of new unique transactions that are reported to a TR during the one-week period. Each transaction is recorded once, and netting arrangements and offsets (including compression) are ignored.
Pre-existing transactions	Pre-existing transactions should be included in calculating total outstanding notional and number of outstanding positions, while it should be excluded in calculating turnover notional and number of new positions.
Position Outstanding	It refers to a snapshot view of open transactions as of the end of the reporting period.
Report Date	TRs are expected to publish aggregation data by the following Wednesday after the report week
Tenor	For Current Notional and/or Positions Outstanding, use remaining contract maturity which is determined by the difference between the **weekly end date of the reporting period** and the expiry date for the position. For Turnover Notional and/or Number of Transactions, use original maturity which is determined by the difference between the end date and the start date. The tenor should be rounded into month. The upper bound of a bucket is included in the bucket (i.e. the 0-3M bucket includes 0, 1, 2 and 3M. and the 3-6 bucket does not include 3M.).
Week	A week is defined as having an execution timestamp between Saturday 12:00:00 AM UTC – Friday 11:59:59PM UTC. Transactions with an execution timestamp in the above period but reported in the following two days at the end of the week should be included in the weekly report. Transactions with an execution timestamp in the above period but reported after the following two days at the end of the week should not be included in the weekly report.
Criteria of assessing usability of public data	• Data could be downloaded. • Data in "analysis-friendly" format (e.g. csv) instead of pdf format. • Part 1 and 2 Section 2 period data could be viewed without signing up, making request or any other condition.
Counterparty identity	A designated trade repository must not disclose the identity of either counterparty to the transaction.

APPENDIX "B"

RULE REVIEW and APPROVAL PROTOCOL

1. PURPOSE

On September 19, 2014 the Commission issued a designation order with terms and conditions governing the designation of CME pursuant to subsection 21.2.2 of the *Securities Act* (Ontario). To comply with OSC Rule 91-507 and the terms and conditions of the designation order, CME shall file with the Commission documents outlining any Rule Subject to Approval. This protocol sets out the process for the filing, review and approval by the Commission of a Rule Subject to Approval.

2. DEFINITIONS

For the purposes of this Appendix:

"Canada-Based Participant" means a participant that (a) is a person or company organized under the laws of an Applicable Canadian Province or that has its head office or principal place of business in an Applicable Canadian Province, (b) is registered under the securities legislation of an Applicable Canadian Province as a derivatives dealer or in an alternative category as a consequence of trading in derivatives, or (c) is an affiliate of a person or company described in (a) and such person or company is responsible for the liabilities of that affiliated party.

"Applicable Canadian Province" means Manitoba, Ontario, Quebec or any other province or territory in Canada in which CME is designated or recognized as a trade repository;

"Rule Subject to Approval" means a Rule that applies exclusively to Canada-Based Participants, excluding any amendments that are intended to effect:

(i) changes to the routine internal processes, practice or administration of CME;

(ii) changes to correct spelling, punctuation, typographical or grammatical mistakes, or inaccurate cross-referencing; or

(iii) stylistic or formatting changes, including changes to headings or paragraph numbers.

Unless the context otherwise requires, other terms used in this Appendix "B" have the meanings ascribed to them in Ontario securities law (including terms defined elsewhere in this designation order).

3. PROCEDURES FOR REVIEW AND APPROVAL OF RULES

(a) Documents

For a Rule Subject to Approval, CME will provide to the Commission, where applicable, the following documents in electronic format, or by other means as agreed to by Commission staff and CME, from time to time:

(i) a cover letter that describes the Rule Subject to Approval and its nature and purpose; and

(ii) the existing Rule Subject to Approval and a blacklined version of the Rule Subject to Approval indicating its proposed changes.

(b) Confirmation of Receipt

Commission staff will promptly send to CME confirmation of receipt of documents submitted by CME under subsection (a).

(c) Deemed Approval of Rules Subject to Approval

If Commission staff do not object to a Rule Subject to Approval within 10 business days of receipt, the Rule shall be deemed approved. Otherwise, the Rule Subject to Approval will be reviewed and approved by the Commission in accordance with the procedures set out in paragraphs (d) to (g) of section 3 of this protocol.

(d) Publication of a Rule by the Commission

If Commission staff objects to a Rule Subject to Approval within 10 business days of receipt and it has an impact on current and possible future participants or the capital markets in general, Commission staff may require that a notice of change to a Rule

Subject to Approval and, where applicable, a blacklined version of the Rule Subject to Approval, be published in the OSC Bulletin or the OSC website for a comment period of 30 days. The notice and accompanying Rule Subject to Approval will be published as soon as reasonably practicable.

(e) Review by Commission Staff

Commission staff will use their best efforts to conduct their review of the Rule Subject to Approval and provide comments to CME within 30 days of CME filing materials with the Commission. However, there will be no restriction on the amount of time necessary to complete the review of the Rule Subject to Approval in such instances.

(f) CME's Responses to Commission Staff's Comments

CME will respond to any comments received to Commission staff in writing.

(g) Approval of Rules by the Commission

Commission staff will use their best efforts to prepare the Rule Subject to Approval for approval by the Commission by the later of:

(i) 45 days from receipt of the filing of the Rule Subject to Approval by CME, including the filing of all relevant documents in subsection (a) above; or

(ii) 30 days after receipt of written responses from CME to Commission staff comments or requests for additional information, and a summary of participant comments and CME's response to those comments (and upon the request of Commission staff, copies of the original comments), or confirmation from CME that there were no comments received.

(h) Effective Date of a Rule

A Rule Subject to Approval will be effective as of the date 10 business days after receipt of such Rule by the Commission absent object thereto or on a date determined by CME, if such date is later.

4. IMMEDIATE IMPLEMENTATION OF A RULE

(a) Criteria for Immediate Implementation

CME may make a Rule Subject to Approval effective immediately where CME determines that there is an urgent need to implement the Rule Subject to Approval because of a substantial and imminent risk of significant harm to CME, participants, other market participants, or the capital markets.

(b) Prior Notification

Where CME determines that immediate implementation is appropriate, CME will advise Commission staff in writing as soon as possible. Such written notice will include an analysis to support the need for immediate implementation.

(c) Disagreement on Need for Immediate Implementation

If Commission staff do not agree that immediate implementation is necessary, the process for resolving the disagreement will be as follows:

(i) Commission staff will notify CME of the disagreement in writing, or request more time to consider the immediate implementation within 3 business days of being advised by CME under subsection (b); and

(ii) Commission staff and CME will discuss and resolve any concerns raised by Commission staff in order to proceed with the immediate implementation.

(d) Review of Rule Implemented Immediately

A Rule Subject to Approval that has been implemented immediately will be reviewed and approved by the Commission in accordance with the procedures set out in section 3, with the necessary modifications. If the Commission subsequently disapproves the Rule Subject to Approval, CME will immediately repeal the Rule Subject to Approval and inform its participants of the disapproval.

5. MISCELLANEOUS

(a) Waiving Provisions of the Protocol

Commission staff may exercise its discretion to waive any part of this protocol upon request from CME, or at any time it deems it appropriate. A waiver granted upon request by CME must be granted in writing by Commission staff.

(b) Amendments

This protocol and any provision hereof may, at any time, be amended by mutual agreement of the Commission and CME.

APPENDIX "C"

IMPLEMENTATION MILESTONES

1. PURPOSE

On September 19, 2014 the Commission issued a designation order with terms and conditions governing the designation of CME pursuant to subsection 21.2.2 of the *Securities Act* (Ontario). To comply with OSC Rule 91-507 and the terms and conditions of the designation order, CME shall achieve the milestones set out in this Appendix with respect to the development and implementation of its services.

2. MILESTONES

CME shall:

(a) by September 12, 2014 facilitate the testing of access and connectivity to its systems for access by the Commission in preparation for production database access beginning on or before September 30, 2014; and

(b) provide user acceptance testing for participants and users for the foreign exchange, credit, interest rate and commodity asset classes by September 30, 2014.

SCHEDULE "B"

DIRECTOR'S EXEMPTION

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

AND

IN THE MATTER OF
CHICAGO MERCANTILE EXCHANGE INC.

DECISION
(Section 42 of OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting)

WHEREAS Chicago Mercantile Exchange Inc. (CME) has applied to the Commission for designation as a trade repository under section 21.2.2 of the Act, and will be subject to OSC Rule 91-507 and the terms and conditions of its designation order;

AND WHEREAS the Director may, pursuant to section 42 of OSC Rule 91-507, exempt CME, in whole or in part, from a requirement in OSC Rule 91-507;

AND WHEREAS subsection 17(5) of OSC Rule 91-507 would require CME to file its proposed new or amended rules, policies and procedures for approval;

AND WHEREAS CME is provisionally registered as a Swap Data Repository with the Commodity Futures Trading Commission (CFTC) in the United States and is subject to regulatory requirements that include prior approval of proposed new or amended rules, policies and procedures;

AND WHEREAS application of subsection 17(5) of OSC Rule 91-507 to CME may result in regulatory duplication, to the extent that proposed new or amended rules, policies and procedures are subject to prior approval by the CFTC;

AND WHEREAS the Director is satisfied that an exemption in part from subsection 17(5) of OSC Rule 91-507 for proposed new or amended rules, policies and procedures that are not applied exclusively to Canada-Based Participants would not be prejudicial to the public interest;

AND WHEREAS "Canada-Based Participant" has the meaning ascribed to it in the Commission's order designating CME as a trade repository pursuant to section 21.2.2 of the Act;

IT IS THE DECISION of the Director that pursuant to section 42 of Rule 91-507, CME is exempt from subsection 17(5) of OSC Rule 91-507 for proposed new or amended rules, policies and procedures that are not applied exclusively to Canada-Based Participants;

PROVIDED THAT:

(a) CME remains registered as a Swap Data Repository and subject to the regulatory oversight of the CFTC; and

(b) CME's proposed new or amended rules, policies and procedures are subject to prior approval by the CFTC.

DATED September 12, 2014, and EFFECTIVE on the effective date of the designation order.

"Susan Greenglass"
Director, Market Regulation Branch

2.2.7 DTCC Data Repository (U.S.) LLC – s. 21.2.1

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

AND

IN THE MATTER OF
DTCC DATA REPOSITORY (U.S.) LLC

ORDER
(Section 21.2.2 of the Act)

WHEREAS DTCC Data Repository (U.S.) LLC (DDR) has filed an application (the Application) with the Ontario Securities Commission (the Commission) requesting an order pursuant to section 21.2.2(1) of the Act designating DDR as a trade repository;

AND WHEREAS DDR has represented to the Commission that:

1. DDR is incorporated under New York law and is provisionally registered with the Commodity Futures Trading Commission (CFTC), its primary regulator, as a swap data repository (SDR) for interest rate, credit, equity, foreign exchange and other commodity derivatives under the U.S. *Commodity Exchange Act*;

2. DDR will comply with all applicable requirements for designated trade repositories under Ontario securities laws, including applicable requirements in OSC Rule 91-507 and pursuant to its application to be a designated trade repository;

AND WHEREAS DDR is currently subject to the oversight of the CFTC as a SDR and may at a future date become subject to the oversight of the Securities and Exchange Commission (SEC) as a securities-based swap data repository (SBSDR);

AND WHEREAS the CFTC, the Alberta Securities Commission, the British Columbia Securities Commission, the Autorité des marchés financiers and the Commission have entered into a Memorandum of Understanding regarding cooperation and the exchange of information related to the supervision of cross-border covered entities, dated March 25, 2014;

AND WHEREAS DDR will be subject to the applicable requirements in OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting*, as amended from time to time (OSC Rule 91-507);

AND WHEREAS the Director has granted exemptions from certain requirements under subsections 4(1), 5(1), 17(5), 20(2), 20(4), 20(5) and 39(1) of OSC Rule 91-507, as set out in Schedule "B" of this order.

AND WHEREAS based on the Application and the representations DDR has made to the Commission, the Commission has determined that it is in the public interest to designate DDR as a trade repository pursuant to section 21.2.2(2) of the Act, subject to the terms and conditions that are set out in Schedule "A" of this order;

AND WHEREAS DDR has agreed to the respective terms and conditions that are set out in Schedule "A" of this order;

AND WHEREAS DDR has demonstrated that it is or will be compliant with the applicable requirements in OSC Rule 91-507 by October 31, 2014 and the respective terms and conditions that are set out in Schedule "A" of this order;

AND WHEREAS the Commission will monitor developments in international and domestic capital markets and DDR's activities on an ongoing basis to determine whether it is appropriate that DDR continues to be designated subject to the terms and conditions in this order and whether it is appropriate to amend this order and the terms and conditions thereunder pursuant to section 144 of the Act;

IT IS ORDERED by the Commission that DDR be designated as a trade repository pursuant to section 21.2.2 of the Act;

PROVIDED THAT DDR complies with the applicable requirements in OSC Rule 91-507 and the terms and conditions attached hereto as Schedule "A" of this order.

DATED September 19, 2014.

"Edward P. Kerwin" *"AnneMarie Ryan"*

SCHEDULE "A"

TERMS and CONDITIONS

DEFINITIONS

For the purposes of this Schedule:

"Ontario-based participant" means a participant that (a) is a person or company organized under the laws of Ontario or that has its head office or principal place of business in Ontario, (b) is registered under Ontario securities law as a derivatives dealer or in an alternative category as a consequence of trading in derivatives, or (c) is an affiliate of a person or company described in (a) and such person or company is responsible for the liabilities of that affiliated party.

"Ontario securities law" has the meaning ascribed to it in subsection 1(1) of the Act;

"Rule" means a proposed new, amendment to, or deletion of, any provision or other requirement in DDR's rulebook, policies, operating procedures or manuals, user guides, or similar documents governing the rights and obligations between DDR and its participants.

"Rule Subject to Approval" has the meaning ascribed to it in the Rule and Approval Protocol at Appendix "B" to this Schedule.

Unless the context otherwise requires, other terms used in this Schedule "A" and its Appendices have the meanings ascribed to them in Ontario securities law (including terms defined elsewhere in this designation order).

REGULATION IN HOME JURISDICTION

1. DDR shall maintain its status as a SDR in the United States and will continue to be subject to the regulatory oversight of the CFTC.

2. DDR shall continue to comply with its ongoing regulatory requirements as a SDR in the United States.

3. DDR shall provide prompt written notice to the Commission of any material change or proposed material change to its status as a SDR in the United States or the regulatory oversight of the CFTC.

4. DDR shall immediately notify the Commission if and when it becomes subject to the regulatory oversight of the SEC as a SBSDR, and thereafter provide prompt written notice to the Commission of any material change or proposed material change to its status as a SBSDR in the United States or the regulatory oversight of the SEC.

OWNERSHIP OF PARENT

5. DDR shall immediately provide to the Commission written notice of a material change to the control or ownership of its parent, DTCC Deriv/SERV LLC (Deriv/SERV); and to the extent that Deriv/SERV is required to file with the CFTC a notification of such change, DDR shall provide such report to the Commission concurrently.

6. DDR shall immediately provide to the Commission written notice, and a detailed description and any potential impact on DDR, of any person or company who has obtained over 20% of beneficial ownership or control or direction over any class or series of voting shares of DTCC.

7. To the extent that DTCC is required to file with the CFTC a report regarding material change in control of DTCC, DDR shall provide such report to the Commission concurrently.

SERVICES OFFERED

8. DDR shall not act as a trade repository designated in Ontario to which reporting counterparties report trades in an asset class other than commodity, credit, equity, interest rate, and foreign exchange, to meet the reporting requirements under OSC Rule 91-507 without prior written approval of the Commission.

ACCESS AND PARTICIPATION

9. DDR shall, on a semi-annual basis, filed 30 days after the end of each period, provide the Commission with a list that specifies each self-identified Ontario-based participant that has been granted access to DDR's services.

10. DDR shall promptly notify the Commission when an applicant has been denied access to DDR's services after the exhaustion of DDR's appeal process and who would otherwise be an Ontario-based participant.

DATA REPORTING

(a) Collection of Data

11. DDR shall provide the Commission with notice of any material changes to the specifications of the methods (including templates and systems) used to collect data reported to it under OSC Rule 91-507 from participants, or to the definition, structure and format of the data at least 45 days before implementing the changes. For non-material changes to the specifications of the methods used to collect data reported to it under OSC Rule 91-507, or to the definition, structure and format of the data, DDR shall provide the Commission with notice at least one week before implementing the changes.

12. DDR shall amend, create, remove, define or otherwise modify any data fields (including format) required to be reported by participants who are reporting, or who are reporting on behalf of reporting counterparties, under OSC Rule 91-507, in a manner and within a time frame required by the Commission from time to time after consultation with DDR and taking into consideration any practical implication of such modifications on DDR.

13. DDR shall continue to use best efforts to adapt to relevant internationally accepted communication procedures and standards for the collection and reporting of data required to be reported under OSC Rule 91-507 as requested by the Commission, in a manner and within a time frame acceptable to the Commission.

14. For life-cycle event data that is required to be reported under OSC Rule 91-507, DDR shall sequence and link life-cycle events to the creation data relating to the original transaction.

15. For any data fields that are specific to a particular asset class or product required to be reported under OSC Rule 91-507 for each transaction, DDR shall work with the Commission to provide Ontario-based participants with the option to populate a value indicating that a field is not applicable to the transaction.

16. DDR shall not accept transactions that are required to be reported under OSC Rule 91-507 if any mandatory data fields under OSC Rule 91-507 have been left blank. Alternatively, DDR may accept such transactions provided that it notifies the participants and requires them to resubmit those transactions with the mandatory data fields completed.

(b) Public Dissemination of Data Pursuant to Section 39 of OSC Rule 91-507

17. DDR shall ensure that data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 is in a format, and is disseminated in a manner, that is acceptable to the Commission. Without limiting the generality of the foregoing, DDR shall ensure that such data is readily available and easily accessible to the public through the homepage of its trade repository website similar to how public data is disseminated for the U.S.

18. DDR shall ensure that aggregate data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 satisfies the criteria set out in Appendix "A" to this Schedule, as amended from time to time. DDR shall ensure that all other data required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 is not made publicly available until the Commission has approved of the method and format of the dissemination.

19. DDR shall (a) anonymize, or (b) make any other modifications based on thresholds or other criteria to, data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507, in a manner prescribed by the Commission.

20. DDR shall exclude inter-affiliate transactions from data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507.

21. DDR shall amend, create, remove, define or otherwise modify data (including format) required to be publicly disseminated pursuant to section 39 of OSC Rule 91-507 in a manner and within a timeframe required by the Commission from time to time after consultation with DDR and taking into consideration any practical implication of such modification on DDR.

22. Upon the Commission's request, DDR shall delay, and subsequently resume, the public dissemination of data that is required to be disseminated pursuant to section 39 of OSC Rule 91-507 in a manner and within a time frame acceptable to the Commission.

(c) Provision of Data to the Commission

23. For greater clarity with respect to section 37 of OSC Rule 91-507, DDR shall at a minimum, on a daily basis, provide the Commission with creation data that reflects life-cycle events up to and including the most current life-cycle event and valuation

data through secured portal access with respect to data reported to it under OSC Rule 91-507; as well as work with the Commission to provide data reported to it under OSC Rule 91-507 that is in DDR's possession as is required by the Commission to fulfill its mandate, including but not limited to creation, life-cycle event, and valuation data, through both secured portal and SFTP access, in a manner and within a timeframe acceptable to the Commission.

24. DDR shall work with the Commission to provide such reports as may be required by the Commission, including but not limited to life-cycle event and transaction level reports relating to data reported to it under OSC Rule 91-507, in a manner and within a timeframe acceptable to the Commission.

25. DDR shall ensure that a version number, including a date stamp, clearly identifies changes to the processes used to extract and load data that is required to be reported to the Commission pursuant to OSC Rule 91-507 using industry best practices. Unless otherwise subject to the filing of an amendment to Form 91-507F1 pursuant to section 3 of OSC Rule 91-507, a summary of the changes to the processes used to extract and load data should be provided to the Commission one week in advance of these changes.

26. DDR shall provide to the Commission in a timely manner, upon the Commission's request, data regarding transactions between non-Canadian participants in derivatives that are based on a Canadian underlying interest, subject to any applicable U.S. laws and requirements governing sharing and confidentiality of information.

CHANGE OF INFORMATION

27. In the event that DDR is required to file an amendment to Form 91-507F1 under subsection 3(1) of OSC Rule 91-507 and the proposed change must also be filed with the CFTC, DDR may satisfy its filing requirement under subsection 3(1) of OSC Rule 91-507 by providing the information filed with the CFTC concurrently to the Commission. DDR must also provide the Commission with the annual update to its Form SDR filed with the CFTC concurrently. Where a significant change to a matter set out in Form 91-507F1 is not otherwise subject to filing with the CFTC or the significant change is Canadian-specific in that it relates solely to the trade repository activities of DDR in Canada, DDR shall comply with the filing requirement as set out in subsection 3(1) of OSC Rule 91-507.

RULES

28. DDR shall provide to the Commission, no later than 10 business days prior to the intended effective date, a Rule Subject to Approval in accordance with Appendix "B" to this Schedule.

29. DDR shall provide to the Commission, concurrently with filing with the CFTC and no later than 10 business days prior to the intended effective date, a Rule that is not a Rule Subject to Approval but that is applicable to Ontario-based participants.

30. DDR shall file with the Commission on a quarterly basis, within 30 days after the end of each quarter, a copy of its Rules showing all cumulative changes to the Rules made during the quarter.

SYSTEMS

31. DDR shall provide at least 30 days prior notice to the Commission before finalizing the scope of the review required under subsection 21(6) of OSC Rule 91-507, and after consultation with the Commission, DDR shall make any reasonable amendments to the scope as requested by the Commission.

FEES

32. DDR shall, by October 31, 2016 and at other times thereafter as requested by the Commission, conduct a review of its fees for its services in Ontario. DDR shall provide a written report on the outcome of such review to the Commission within 30 days after the completion of the review.

COMMERCIALIZATION OF DATA

33. DDR shall not unreasonably restrict the access to and use of data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507.

34. DDR shall not restrict the access to and use of data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 without prior written approval of the Commission.

35. DDR shall provide the Commission with 30 days prior written notice of any intended changes to the terms of access or use as they pertain to data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507, which will include a detailed description of any such changes.

36. DDR shall not, as a term or condition of becoming a participant or as a term or condition of reporting data reported to it under OSC Rule 91-507 by a participant, require the consent of the participant to the release of any or all reported data for commercial or business purposes.

37. For greater clarity with respect to paragraph 22(2)(a) of OSC Rule 91-507, DDR shall not release data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 for commercial or business purposes until after its public dissemination.

38. DDR shall be responsible for securing any and all necessary consents from any third parties whose proprietary information is contained in the data reported to it under OSC Rule 91-507 before releasing it for commercial or business purposes.

39. In addition to the requirements set out in subsection 22(2) of OSC Rule 91-507, DDR shall not release data that is required to be reported pursuant to OSC Rule 91-507 for commercial or business purposes in relation to a product or service line without the Commission's prior written approval of the type and nature of the commercial or business product or service line, in the following manner:

a) DDR shall provide the Commission with written notification of the type and nature of the commercial or business product or service line at least 10 business days prior to the intended launch date of the product or service line;

b) If Commission staff within 10 business days of receipt of the notification do not object to such product or service line, then the product or service line shall be deemed to be approved by the Commission;

c) If Commission staff within 10 business days of receipt of the notification object to such product or service line, then the Commission will review and make a decision regarding approval of such product or service line within 30 days of DDR providing notification to the Commission pursuant to paragraph (a) above.

TRANSITION REQUIREMENTS

40. DDR shall achieve the milestones set out in in Appendix "C" to this Schedule with respect to the development and implementation of its services.

41. Following its designation, DDR shall facilitate to the satisfaction of the Commission the testing of access and connectivity to its systems by the Commission.

42. Following its designation in Ontario, DDR shall conduct testing with respect to Ontario-based participants under OSC Rule 91-507 and achieve results satisfactory to the Commission to gain assurance that data and reports that are required to be reported to the Commission reflect accurately and completely all data that is required to be reported by Ontario-based participants under OSC Rule 91-507. DDR shall provide summary results of such testing to the Commission promptly after the completion of such testing.

43. For a period of 2 years from the date of this order, filed 30 days after the end of each quarter, DDR shall provide a report summarizing (a) the number of applications in Ontario for access outstanding at the end of each quarter, and (b) any material issues encountered during each quarter relating to the onboarding of new participants or reporting from Ontario-based participants as well as DDR's plans to address them.

44. Following its designation in Ontario, and on an ongoing basis, DDR shall (a) ensure that appropriate access, including direct access, data feeds, browser and internet-based interfaces, reports or any other relevant form of access, is provided to the Commission, (b) monitor the development by any service provider it engages for all systems (including applications) supporting its trade repository functions, and (c) ensure that its systems are secure and that any security vulnerabilities are monitored and promptly corrected once identified.

45. Following its designation in Ontario, DDR shall ensure that any necessary maintenance and enhancement of its trade repository services and systems is being appropriately prioritized and staffed, and that any issues are appropriately escalated to senior management.

REPORTING REQUIREMENTS

46. DDR shall promptly notify the Commission of any event, circumstance, or situation that could materially prevent DDR's ability to continue to comply with the terms and conditions of the order.

47. DDR shall, as soon as reasonably possible, notify the Commission of any intended emergency response which would modify, limit, suspend or interrupt its services.

48. DDR shall promptly provide to the Commission information regarding any material known investigations or legal proceedings instituted against it, to the extent that it is not prohibited from doing so under applicable law.

49. DDR shall promptly provide to the Commission the details of any appointment of a receiver or the making of any voluntary arrangement with its creditors.

INFORMATION SHARING AND REGULATORY COOPERATION

50. DDR shall provide to the Commission any information related to its business as a designated trade repository as may be requested from time to time, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

51. DDR shall provide regulators other than the Commission with access to data that is required to be reported pursuant to Ontario securities law in compliance with the relevant laws and regulations governing such access.

APPENDIX "A"

DRAFT CANADIAN PUBLIC AGGREGATE DATA REPORTING TEMPLATE

A trade repository designated in Ontario (an "**Ontario-designated TR**") is required to publically disseminate the range and type of aggregate metrics set out in this Appendix "A" in order to satisfy its obligations under section 39 of OSC Rule 91-507.

Part I. Current Notional and Number of Positions Outstanding

1. For each reporting period, an Ontario-designated TR must publish on the Report Date

   (a) the gross notional amount of all open positions, and

   (b) the total number of positions outstanding.

2. At a minimum, an Ontario-designated TR must publish the data described in section 1 for the following reporting periods:

   (a) current week,

   (b) previous week, and

   (c) four weeks prior to the current week.

3. An Ontario-designated TR must publish the data required by section 1 according to the following breakdowns:

   (a) Asset Class: Commodity, Interest Rate, Credit, Foreign Exchange and Equity;

   (b) Asset Classes in (a) by Tenor: 0-3 month, 3-6 month, 6-12 months, 12-24 months, 24-60 months, and greater than 60 months; and

   (c) Asset Classes in (a) by cleared/uncleared.

4. An Ontario-designated TR must publish the data required by section 1 according to the following Product Categories for each Asset Class:

Commodities	Interest Rate	Credit	Foreign Exchange	Equity
Metals	IR Swap	Single Name-Sovereign	Non-deliverable forwards	Single Name Swap
Power	FRA	Single Name-Non-Sovereign	Non-deliverable options	
Natural Gas	Cross Currency	Index (including Index tranche)	Forward	Single Index Swap
Oil	Option (Including cap/floor)	Total Return Swap	Vanilla Option	Basket Swap
Coal	Exotic	Swaptions	Exotic	Contract For Difference
Index	Other	Exotic	Other	Option
Agriculture		Other		Forward
Environment				Exotic
Freight				Other
Exotic				
Other				

5. Despite section 4, an Ontario-designated TR must publish the data required by section 1 for a particular Product Category specified in section 4 under the category of "Other" where there is less than 30 open positions in that Product Category for a given period.

6. Despite sections 3 and 4, an Ontario-designated TR is not required to report the gross notional amount of all open positions for the "Commodity" Asset Class.

7. An Ontario-designated TR must commence publication of the data required under this Part I Section 2.a beginning the week ending November 28th. An Ontario-designated TR must commence publication of the data required under this Part I Section 2.a and 2.b beginning the week ending December 5th. An Ontario-designated TR must commence publication of the data required under this Part I Section 2.a, 2.b, 2c beginning the week ending December 19th.

Part II. Turnover Notional and Number of Transactions

1. For each reporting period, an Ontario-designated TR must publish on the Report Date

   (a) the gross notional turnover (i.e. the gross notional amount of all new transactions entered into for that period), and

   (b) the total number of transactions.

2. At a minimum, an Ontario-designated TR must publish the data described in section 1 for the following reporting periods:

   (a) current week,

   (b) previous week, and

   (c) the trailing 4-week period.

3. An Ontario-designated TR must publish the data required by section 1 according to the following breakdowns:

   (a) Asset Class: Commodity, Interest Rate, Credit, Foreign Exchange and Equity;

   (b) Asset Classes in (a) by Tenor: 0-3 month, 3-6 month, 6-12 months, 12-24 months, 24-60 months, and greater than 60 months; and

   (c) Asset Classes in (a) by cleared/uncleared.

4. An Ontario-designated TR must publish the data required by section 1 according to the following Product Categories for each Asset Class:

Commodities	Interest Rate	Credit	Foreign Exchange	Equity
Metals	IR Swap	Single Name-Sovereign	Non-deliverable forwards	Single Name Swap
Power	FRA	Single Name-Non-Sovereign	Non-deliverable options	
Natural Gas	Cross Currency	Index (including Index tranche)	Forward	Single Index Swap
Oil	Option (Including cap/floor)	Total Return Swap	Vanilla Option	Basket Swap
Coal	Exotic	Swaptions	Exotic	Contract For Difference
Index	Other	Exotic	Other	Option
Agriculture		Other		Forward
Environment				Exotic

Commodities	Interest Rate	Credit	Foreign Exchange	Equity
Freight				Other
Exotic				
Other				

5. Despite section 4, an Ontario-designated TR must publish the data required by section 1 for a particular Product Category specified in section 4 under the category of "Other" where there are fewer than five new transactions a week in that Product Category during the previous four-week period.

6. Despite sections 3 and 4, an Ontario-designated TR is not required to report the turnover notional amount for the "Commodity" Asset Class.

7. An Ontario-designated TR must commence publication of the data required under this Part II beginning the week ending December 12th.

Explanatory Notes

Currency	The denomination currency of the reports is **Canadian dollars**. TRs are free to choose the conversion rate, but need to include the source in the reports. If the denomination currency of a transaction is non-Canadian dollar, the Canadian dollar equivalent notional amount should be calculated with report run date conversion rate.
Number of transactions	Represents the number of new unique transactions that are reported to a TR during the one-week period. Each transaction is recorded once, and netting arrangements and offsets (including compression) are ignored.
Pre-existing transactions	Pre-existing transactions should be included in calculating total outstanding notional and number of outstanding positions, while it should be excluded in calculating turnover notional and number of new positions.
Position Outstanding	It refers to a snapshot view of open transactions as of the end of the reporting period.
Report Date	TRs are expected to publish aggregation data by the following Wednesday after the report week
Tenor	For Current Notional and/or Positions Outstanding, use remaining contract maturity which is determined by the difference between the **weekly end date of the reporting period** and the expiry date for the position. For Turnover Notional and/or Number of Transactions, use original maturity which is determined by the difference between the end date and the start date. The tenor should be rounded into month. The upper bound of a bucket is included in the bucket (i.e. the 0-3M bucket includes 0, 1, 2 and 3M. and the 3-6 bucket does not include 3M.).
Week	A week is defined as having an execution timestamp between Saturday 12:00:00 AM UTC – Friday 11:59:59PM UTC. Transactions with an execution timestamp in the above period but reported in the following two days at the end of the week should be included in the weekly report. Transactions with an execution timestamp in the above period but reported after the following two days at the end of the week should not be included in the weekly report.
Criteria of assessing usability of public data	• Data could be downloaded. • Data in "analysis-friendly" format (e.g. csv) instead of pdf format. • Part 1 and 2 Section 2 period data could be viewed without signing up, making request or any other condition.
Counterparty identity	A designated trade repository must not disclose the identity of either counterparty to the transaction.

APPENDIX "B"

RULE REVIEW and APPROVAL PROTOCOL

1. PURPOSE

On September 19, 2014 the Commission issued a designation order with terms and conditions governing the designation of DDR pursuant to subsection 21.2.2 of the *Securities Act* (Ontario). To comply with OSC Rule 91-507 and the terms and conditions of the designation order, DDR shall file with the Commission documents outlining any Rule Subject to Approval. This protocol sets out the process for the filing, review and approval by the Commission of a Rule Subject to Approval.

2. DEFINITIONS

For the purposes of this Appendix:

"Canada-Based Participant" means a participant that (a) is a person or company organized under the laws of an Applicable Canadian Province or that has its head office or principal place of business in an Applicable Canadian Province, (b) is registered under the securities legislation of an Applicable Canadian Province as a derivatives dealer or in an alternative category as a consequence of trading in derivatives, or (c) is an affiliate of a person or company described in (a) and such person or company is responsible for the liabilities of that affiliated party.

"Applicable Canadian Province" means Manitoba, Ontario, Quebec or any other province or territory in Canada in which DDR is designated or recognized as a trade repository;

"Rule Subject to Approval" means a Rule that applies exclusively to Canada-Based Participants, excluding any amendments that are intended to effect:

(i) changes to the routine internal processes, practice or administration of DDR;

(ii) changes to correct spelling, punctuation, typographical or grammatical mistakes, or inaccurate cross-referencing; or

(iii) stylistic or formatting changes, including changes to headings or paragraph numbers.

Unless the context otherwise requires, other terms used in this Appendix "B" have the meanings ascribed to them in Ontario securities law (including terms defined elsewhere in this designation order).

3. PROCEDURES FOR REVIEW AND APPROVAL OF RULES

(a) Documents

For a Rule Subject to Approval, DDR will provide to the Commission, where applicable, the following documents in electronic format, or by other means as agreed to by Commission staff and DDR, from time to time:

(i) a cover letter that describes the Rule Subject to Approval and its nature and purpose; and

(ii) the existing Rule Subject to Approval and a blacklined version of the Rule Subject to Approval indicating its proposed changes.

(b) Confirmation of Receipt

Commission staff will promptly send to DDR confirmation of receipt of documents submitted by DDR under subsection (a).

(c) Deemed Approval of Rules Subject to Approval

If Commission staff do not object to a Rule Subject to Approval within 10 business days of receipt, the Rule shall be deemed approved. Otherwise, the Rule Subject to Approval will be reviewed and approved by the Commission in accordance with the procedures set out in paragraphs (d) to (g) of section 3 of this protocol.

(d) Publication of a Rule by the Commission

If Commission staff objects to a Rule Subject to Approval within 10 business days of receipt and it has an impact on current and possible future participants or the capital markets in general, Commission staff may require that a notice of change to a Rule

Subject to Approval and, where applicable, a blacklined version of the Rule Subject to Approval, be published in the OSC Bulletin or the OSC website for a comment period of 30 days. The notice and accompanying Rule Subject to Approval will be published as soon as reasonably practicable.

(e) Review by Commission Staff

Commission staff will use their best efforts to conduct their review of the Rule Subject to Approval and provide comments to DDR within 30 days of DDR filing materials with the Commission. However, there will be no restriction on the amount of time necessary to complete the review of the Rule Subject to Approval in such instances.

(f) DDR Canada's Responses to Commission Staff's Comments

DDR will respond to any comments received to Commission staff in writing.

(g) Approval of Rules by the Commission

Commission staff will use their best efforts to prepare the Rule Subject to Approval by the Commission for approval by the later of:

(i) 45 days from receipt of the filing of the Rule Subject to Approval by DDR, including the filing of all relevant documents in subsection (a) above; or

(ii) 30 days after receipt of written responses from DDR to Commission staff comments or requests for additional information, and a summary of participant comments and DDR's response to those comments (and upon the request of Commission staff, copies of the original comments), or confirmation from DDR that there were no comments received.

(h) Effective Date of a Rule

A Rule Subject to Approval will be effective as of the date 10 business days after receipt of such Rule by the Commission absent object thereto, or on a date determined by DDR if such date is later.

4. IMMEDIATE IMPLEMENTATION OF A RULE

(a) Criteria for Immediate Implementation

DDR may make a Rule Subject to Approval effective immediately where DDR determines that there is an urgent need to implement the Rule Subject to Approval because of a substantial and imminent risk of significant harm to DDR, participants, other market participants, or the capital markets.

(b) Prior Notification

Where DDR determines that immediate implementation is appropriate, DDR will advise Commission staff in writing as soon as possible. Such written notice will include an analysis to support the need for immediate implementation.

(c) Disagreement on Need for Immediate Implementation

If Commission staff do not agree that immediate implementation is necessary, the process for resolving the disagreement will be as follows:

(i) Commission staff will notify DDR of the disagreement in writing, or request more time to consider the immediate implementation within 3 business days of being advised by DDR under subsection (b); and

(ii) Commission staff and DDR will discuss and resolve any concerns raised by Commission staff in order to proceed with the immediate implementation.

(d) Review of Rule Implemented Immediately

A Rule Subject to Approval that has been implemented immediately will be reviewed and approved by the Commission in accordance with the procedures set out in section 3, with the necessary modifications. If the Commission subsequently disapproves the Rule Subject to Approval, DDR will immediately repeal the Rule Subject to Approval and inform its participants of the disapproval.

5. MISCELLANEOUS

(a) Waiving Provisions of the Protocol

Commission staff may exercise its discretion to waive any part of this protocol upon request from DDR, or at any time it deems it appropriate. A waiver granted upon request by DDR must be granted in writing by Commission staff.

(b) Amendments

This protocol and any provision hereof may, at any time, be amended by mutual agreement of the Commission and DDR.

APPENDIX "C"

IMPLEMENTATION MILESTONES

1. PURPOSE

On September 19, 2014 the Commission issued a designation order with terms and conditions governing the designation of DDR pursuant to subsection 21.2.2 of the *Securities Act* (Ontario). To comply with OSC Rule 91-507 and the terms and conditions of the designation order, DDR shall achieve the milestones set out in this Appendix with respect to the development and implementation of its services.

2. MILESTONES

DDR shall:

(a) facilitate the testing of access and connectivity to its systems by the Commission by August 8, 2014, to be completed by September 8, 2014; and

(b) provide user acceptance testing for participants and users for the commodity, credit, equity, interest rate, and foreign exchange asset classes by September 12, 2014.

SCHEDULE "B"

DIRECTOR'S EXEMPTION

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

AND

IN THE MATTER OF
DTCC DATA REPOSITORY (U.S.) LLC

DECISION
(Section 42 of OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting)

WHEREAS DTCC Data Repository (U.S.) LLC (DDR) has applied to the Commission for designation as a trade repository under section 21.2.2 of the Act, and will be subject to OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (OSC Rule 91-507) and the terms and conditions of its designation order;

AND WHEREAS the Director may, pursuant to section 42 of OSC Rule 91-507, exempt DDR, in whole or in part, from a requirement in OSC Rule 91-507;

AND WHEREAS OSC Rule 91-507 would require DDR:

(a) to file audited financial statements for its most recently completed financial year with the Commission as part of its application for designation pursuant to subsection 4(1),

(b) to file annual audited financial statements with the Commission no later than the 90th day after the end of its financial year pursuant to subsection 5(1),

(c) to file its proposed new or amended rules, policies and procedures (collectively, rules) for approval pursuant to subsection 17(5);

(d) to hold sufficient insurance coverage and liquid net assets funded by equity to cover potential general business losses pursuant to subsection 20(2);

(e) to identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and to establish, implement, maintain and enforce written rules reasonably designed to facilitate its orderly wind-down pursuant to subsections 20(4) and 20(5) respectively; and

(f) to create and make available to the public on a periodic basis, at no cost, aggregate data on volume, number (of transactions) and, where applicable, price, relating to the transactions reported to it pursuant to subsection 39(1);

AND WHEREAS DDR has applied for an exemption from the requirements under each of subsections 4(1), 5(1), 17(5), 20(2), 20(4), 20(5) and 39(1) of OSC Rule 91-507;

AND WHEREAS DDR is provisionally registered as a Swap Data Repository (SDR) with the Commodity Futures Trading Commission (CFTC) in the United States and is subject to CFTC's requirements;

AND WHEREAS DDR does not have audited financial statements for its most recently completed financial year, and DDR has provided to the Commission its unaudited financial statements and audited financial statements of its ultimate parent, The Depository Trust & Clearing Corporation, for the most recent financial year;

AND WHEREAS DDR is not required to file annual audited financial statements with the CFTC, but is required to file annual unaudited financial statements and to maintain liquid net assets equal to a minimum of six months of operating expenses pursuant to CFTC requirements; and DDR has represented that it will provide annually unaudited financial statements to the Commission concurrently with filing with the CFTC and will maintain the required liquid net assets;

AND WHEREAS DDR is required to file with the CFTC proposed new or amended rules pursuant to CFTC's requirements, and application of subsection 17(5) of OSC Rule 91-507 to DDR may result in regulatory duplication, to the extent that proposed new or amended rules are subject to prior approval by the CFTC;

AND WHEREAS DDR holds sufficient liquid net assets, in the amount of at least six months current operating expenses, to cover potential general business losses pursuant to OSC Rule 91-507, although it does not maintain insurance coverage for this purpose; DDR is required under CFTC's requirements to maintain sufficient financial resources to perform its SDR functions and such amount should cover its operating costs for a period of at least one year, and to maintain liquid financial assets equal to at least six months' operating costs; and therefore maintenance of insurance is duplicative for the purposes of covering business risk;

AND WHEREAS international work on wind-down planning is ongoing at CPSS-IOSCO level, and DDR is not currently subject to CFTC's requirements relating to orderly wind-down;

AND WHEREAS the Director is satisfied it would not be prejudicial to the public interest to exempt DDR from:

(a) Subsection 4(1) of OSC Rule 91-507,

(b) Subsection 5(1) of OSC Rule 91-507,

(c) Subsection 17(5) of OSC Rule 91-507 for proposed new or amended rules that are not applied exclusively to Canada-Based Participants

(d) Subsection 20(2) of OSC Rule 91-507,

(e) Subsections 20(4) and 20(5) of OSC Rule 91-507 for a temporary period, and

(f) Subsection 39(1) of OSC Rule 91-507 for a temporary period;

AND WHEREAS "Canada-Based Participant" has the meaning ascribed to it in the Commission's order designating DDR as a trade repository pursuant to section 21.2.2 of the Act;

IT IS THE DECISION of the Director that pursuant to section 42 of Rule 91-507, DDR is exempt from:

(a) Subsection 4(1) of OSC Rule 91-507,

(b) Subsection 5(1) of OSC Rule 91-507,

(c) Subsection 17(5) of OSC Rule 91-507 for proposed new or amended rules that are not applied exclusively to Canada-Based Participants,

(d) Subsection 20(2) of OSC Rule 91-507,

(e) Subsections 20(4) and 20(5) of OSC Rule 91-507, until the earlier of (i) two years from the effective date of the order designating DDR as a trade repository, and (ii) the effective date of any CFTC requirement applicable to DDR relating to the development of a wind-down plan, and

(f) Subsection 39(1) of OSC Rule 91-507 with respect to creating and making available to the public aggregate data on volume, number (of transactions) and, where applicable, price, relating to the transactions reported to it, until March 31, 2015;

PROVIDED THAT:

(a) DDR remains registered as a Swap Data Repository and subject to the regulatory oversight and requirements of the CFTC;

(b) DDR files with the Commission, concurrently with filing with the CFTC and no later than the 90th day after the end of its financial year:

(i) Annual unaudited financial statements of DDR prepared in accordance with U.S. GAAP as defined in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107), and

(ii) Annual audited financial statements of its ultimate parent, The Depository Trust & Clearing Corporation, prepared in accordance with U.S. GAAP as defined in NI 52-107;

(c) DDR complies with section 49.25 of CFTC's Rules relating to financial resources,

(d) DDR's proposed new or amended rules are submitted to the CFTC 10 business days prior to the intended effective date and become effective on the intended effective date provided the CFTC does not object. DDR creates and makes available to the public on a periodic basis as required by the Commission, at no cost, aggregate data on open positions relating to the transactions reported to it.

DATED September 12, 2014, and **EFFECTIVE** on the following dates:

(a) Immediately, regarding the decision of the Director with respect to subsection 4(1) of OSC Rule 91-507; and

(b) On the effective date of the designation of DDR, regarding the decision of the Director with respect to all other subsections of OSC Rule 91-507 from which DDR is exempt.

"Susan Greenglass"
Director, Market Regulation Branch

2.2.8 ICE Trade Vault, LLC – s. 21.2.2

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

AND

IN THE MATTER OF
ICE TRADE VAULT, LLC

ORDER
(Section 21.2.2 of the Act)

WHEREAS ICE Trade Vault, LLC (ICE Trade Vault) has filed an application (Application) with the Ontario Securities Commission (Commission) requesting an order pursuant to section 21.2.2 of the Act designating ICE Trade Vault as a trade repository;

AND WHEREAS ICE Trade Vault has represented to the Commission that:

1. ICE Trade Vault is a limited liability company organized under the provisions of The Delaware Limited Liability Company Act and situated in Atlanta, Georgia;

2. ICE Trade Vault is an indirect and wholly-owned subsidiary of Intercontinental Exchange, Inc. (ICE), a public company governed by the laws of the State of Delaware and listed on the New York Stock Exchange;

3. ICE Trade Vault does not have any offices or maintain other physical installations in Ontario or any other Canadian province or territory;

4. ICE Trade Vault is subject to the oversight of the Commodity Futures Trading Commission (CFTC) as a Swap Data Repository;

5. ICE Trade Vault will offer a trade repository solution that enables Ontario participants to fulfil their reporting obligation under OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting*, as amended from time to time (OSC Rule 91-507);

6. ICE Trade Vault will accept derivatives transaction data for the commodity, credit and foreign exchange asset classes;

7. ICE Trade Vault will meet and comply with all applicable requirements for a designated trade repository under Ontario securities laws;

AND WHEREAS ICE Trade Vault is currently subject to the oversight of the Commodity Futures Trading Commission (CFTC) as a Swap Data Repository;

AND WHEREAS the CFTC, the Alberta Securities Commission, the British Columbia Securities Commission, the Autorité des marchés financiers and the Commission have entered into a Memorandum of Understanding regarding cooperation and the exchange of information related to the supervision of cross-border covered entities, dated March 25, 2014;

AND WHEREAS ICE Trade Vault will be subject to the requirements in OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting*, as amended from time to time (OSC Rule 91-507);

AND WHEREAS the Director has granted exemptions from certain requirements under subsections 4(1), 5(1) and 17(5) of OSC Rule 91-507, as set out in Schedule “B” of this order.

AND WHEREAS based on the Application and the representations ICE Trade Vault has made to the Commission, the Commission has determined that it is in the public interest to designate ICE Trade Vault as a trade repository pursuant to section 21.2.2 of the Act, subject to the terms and conditions that are set out in Schedule “A” of this order;

AND WHEREAS ICE Trade Vault has agreed to the respective terms and conditions that are set out in Schedule “A” of this order;

AND WHEREAS ICE Trade Vault has demonstrated that it is or will be compliant with the applicable requirements in OSC Rule 91-507 by October 31, 2014 and the respective terms and conditions that are set out in Schedule "A" of this order;

AND WHEREAS the Commission will monitor developments in international and domestic capital markets and ICE Trade Vault's activities on an ongoing basis to determine whether it is appropriate that ICE Trade Vault continues to be designated subject to the terms and conditions in this order and whether it is appropriate to amend this order and the terms and conditions thereunder pursuant to section 144 of the Act;

IT IS ORDERED by the Commission that ICE Trade Vault be designated as a trade repository pursuant to section 21.2.2 of the Act;

PROVIDED THAT ICE Trade Vault complies with the applicable requirements in OSC Rule 91-507 and the terms and conditions attached hereto as Schedule "A" of this order.

DATED September 19, 2014.

"Edward P. Kerwin" *"AnneMarie Ryan"*

SCHEDULE "A"

TERMS and CONDITIONS

DEFINITIONS

For the purposes of this Schedule:

"Ontario-based participant" means a participant that (a) is a person or company organized under the laws of Ontario or that has its head office or principal place of business in Ontario, (b) is registered under Ontario securities law as a derivatives dealer or in an alternative category as a consequence of trading in derivatives, or (c) is an affiliate of a person or company described in (a) and such person or company is responsible for the liabilities of that affiliated party.

"Ontario securities law" has the meaning ascribed to it in subsection 1(1) of the Act;

"Rule" means a proposed new, amendment to, or deletion of, any provision or other requirement in ICE Trade Vault's rulebook, policies, operating procedures or manuals, user guides, or similar documents governing the rights and obligations between ICE Trade Vault and its participants.

"Rule Subject to Approval" has the meaning ascribed to it in the Rule and Approval Protocol at Appendix "B" to this Schedule.

Unless the context otherwise requires, other terms used in this Schedule "A" and its Appendices have the meanings ascribed to them in Ontario securities law (including terms defined elsewhere in this designation order).

REGULATION IN HOME JURISDICTION

1. ICE Trade Vault shall maintain its status as a Swap Data Repository in the United States and will continue to be subject to the regulatory oversight of the CFTC.

2. ICE Trade Vault shall continue to comply with its ongoing regulatory requirements as a Swap Data Repository in the United States.

3. ICE Trade Vault shall provide prompt written notice to the Commission of any material change or proposed material change to its status as a Swap Data Repository in the United States or the regulatory oversight of the CFTC.

OWNERSHIP OF PARENT

4. ICE Trade Vault shall provide to the Commission 90 days prior written notice and a detailed description and assessment of impact of a change in control of Intercontinental Exchange, Inc.

SERVICES OFFERED

5. ICE Trade Vault shall not act as a trade repository designated in Ontario to which reporting counterparties report trades in an asset class other than commodity, credit and foreign exchange, to meet the reporting requirements under OSC Rule 91-507 without prior written approval of the Commission.

ACCESS AND PARTICIPATION

6. ICE Trade Vault shall, on a semi-annual basis, filed 30 days after the end of each period, provide the Commission with a list that specifies each self-identified Ontario-based participant that has been granted access to ICE Trade Vault's services.

7. ICE Trade Vault shall promptly notify the Commission when an applicant who has been denied access to ICE Trade Vault's services and who would otherwise be an Ontario-based participant.

DATA REPORTING

(a) Collection of Data

8. ICE Trade Vault shall provide the Commission with notice of any material changes to the specifications of the methods (including templates and systems) used to collect data reported to it under OSC Rule 91-507 from participants, or to the definition, structure and format of the data at least 45 days before implementing the changes. For non-material changes to the

specifications of the methods used to collect data from participants, or to the definition, structure and format of the data, ICE Trade Vault shall provide the Commission with notice at least one week before implementing the changes.

9. ICE Trade Vault shall amend, create, remove, define or otherwise modify any data fields (including format) required to be reported by participants who are reporting, or who are reporting on behalf of reporting counterparties, under OSC Rule 91-507, in a manner and within a time frame required by the Commission from time to time after consultation with ICE Trade Vault and taking into consideration any practical implication of such modification on ICE Trade Vault.

10. ICE Trade Vault shall use best efforts to adapt to relevant internationally accepted communication procedures and standards for the collection and reporting of data for each required data field under OSC Rule 91-507 as requested by the Commission, in a manner and within a time frame acceptable to the Commission.

11. For life-cycle event data that is required to be reported under OSC Rule 91-507, ICE Trade Vault shall sequence and link life-cycle events to the creation data relating to the original transaction.

12. For any data fields that are specific to a particular asset class or product required to be reported under OSC Rule 91-507 for each transaction, ICE Trade Vault shall provide Ontario-based participants with the option to populate a value indicating that a field is not applicable to a transaction.

13. ICE Trade Vault shall not accept transactions that are required to be reported under OSC Rule 91-507 if any mandatory data fields under OSC Rule 91-507 have been left blank.

(b) Public Dissemination of Data

14. ICE Trade Vault shall ensure that data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 is in a format, and is disseminated in a manner, that is acceptable to the Commission. Without limiting the generality of the foregoing, ICE Trade Vault shall ensure that such data is readily available and easily accessible to the public through the homepage of its website.

15. ICE Trade Vault shall ensure that aggregate data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 satisfies the criteria set out in Appendix "A" to this Schedule, as amended from time to time. ICE Trade Vault shall ensure that all other data required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 is not made publicly available until the Commission has approved of the method and format of the dissemination.

16. ICE Trade Vault shall (a) anonymize, or (b) make any other modifications based on thresholds or other criteria to, data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507, in a manner prescribed by the Commission.

17. ICE Trade Vault shall exclude inter-affiliate transactions from data that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507.

18. ICE Trade Vault shall amend, create, remove, define or otherwise modify data (including format) required to be publicly disseminated pursuant to section 39 of OSC Rule 91-507 in a manner and within a timeframe required by the Commission from time to time after consultation with ICE Trade Vault and taking into consideration any practical implication of such modification to ICE Trade Vault.

19. Upon the Commission's request, ICE Trade Vault shall delay, and subsequently resume, the public dissemination of data that is required to be disseminated pursuant to section 39 of OSC Rule 91-507 in a manner and within a time frame acceptable to the Commission.

(c) Provision of Data to the Commission

20. For greater clarity with respect to section 37 of OSC Rule 91-507, ICE Trade Vault shall at a minimum, on a daily basis, provide the Commission with creation data that reflects life-cycle events up to and including the most current life-cycle event and valuation data through secured portal access with respect to data reported to it under OSC Rule 91-507; as well as work with the Commission to provide data reported to it under OSC Rule 91-507 that is in ICE Trade Vault's possession as is required by the Commission to fulfill its mandate, including but not limited to creation, life-cycle event, and valuation data, through both secured portal and SFTP access, in a manner and within a timeframe acceptable to the Commission.

21. ICE Trade Vault shall work with the Commission to provide such reports as may be required by the Commission, including but not limited to life-cycle event and transaction level reports relating to data reported to it under OSC Rule 91-507, in a manner and within a timeframe acceptable to the Commission.

22. ICE Trade Vault shall ensure that a version number, including a date stamp, clearly identifies changes to the processes used to extract and load data that is required to be reported to the Commission pursuant to OSC Rule 91-507 using industry best practices. Unless otherwise subject to the filing of an amendment to form 91-507F1 pursuant to section 3 of OSC Rule 91-507, a summary of the changes to the processes used to extract and load data should be provided to the Commission one week in advance of these changes.

23. When a transaction is subdivided into a series of units (known as strips) with multiple settlement dates, ICE Trade Vault shall provide the settlement price value of each strip based on its product terms. The aggregate value of all individual strips in a product's position must equal the market value of the equivalent aggregate open transactions for each participant.

CHANGE OF INFORMATION

24. In the event that ICE Trade Vault is required to file an amendment to Form 91-507F1 under subsection 3(1) of OSC Rule 91-507 and the proposed change must also be filed with the CFTC, ICE Trade Vault may satisfy its filing requirement under subsection 3(1) of OSC Rule 91-507 by providing the information filed with the CFTC concurrently to the Commission. ICE Trade Vault must also provide the Commission with the annual update to its Form SDR filed with the CFTC concurrently. Where a significant change to a matter set out in Form 91-507F1 is not otherwise subject to filing with the CFTC or the significant change is Canadian-specific in that it relates solely to the trade repository activities of ICE Trade Vault in Canada, ICE Trade Vault shall comply with the filing requirement as set out in subsection 3(1) of OSC Rule 91-507.

RULES

25. ICE Trade Vault shall provide to the Commission, no later than 10 business days prior to the intended effective date, a Rule Subject to Approval in accordance with Appendix "B" to this Schedule.

26. ICE Trade Vault shall provide to the Commission, concurrently with filing with the CFTC and no later than 10 business days prior to the intended effective date, a Rule that is not a Rule Subject to Approval but that is applicable to Ontario based participants.

27. ICE Trade Vault shall file with the Commission on a quarterly basis, within 30 days after the end of each quarter, a copy of its Rules showing all cumulative changes to the Rules made during the quarter.

SYSTEMS

28. ICE Trade Vault shall provide at least 30 days prior notice to the Commission before finalizing the scope of the review required under subsection 21(6) of OSC Rule 91-507, and after consultation with the Commission, ICE Trade Vault shall make any reasonable amendments to the scope as requested by the Commission.

FEES

29. ICE Trade Vault shall not act as a designated trade repository for transactions in the foreign exchange asset class without obtaining prior written approval of the Commission of the related fee schedule.

30. ICE Trade Vault shall, by October 31, 2016 and at other times thereafter as requested by the Commission, conduct a review of its fees for its trade repository services in Ontario. ICE Trade Vault shall provide a written report on the outcome of such review to the Commission within 30 days after the completion of the review.

COMMERCIALIZATION OF DATA

31. ICE Trade Vault shall not unreasonably restrict the access to and use of data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507.

32. ICE Trade Vault shall not restrict the access to and use of data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 without prior written approval of the Commission.

33. ICE Trade Vault shall provide the Commission with 30 days prior written notice of any intended changes to the terms of access or use as they pertain to data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507, which will include a detailed description of any such changes.

34. ICE Trade Vault shall not, as a term or condition of becoming a participant or as a term or condition of reporting data reported to it under OSC Rule 91-507 by a participant, require the consent of the participant to the release of any or all reported data for commercial or business purposes.

35. For greater clarity with respect to paragraph 22(2)(a) of OSC Rule 91-507, ICE Trade Vault shall not release data reported to it under OSC Rule 91-507 that is required to be disseminated to the public pursuant to section 39 of OSC Rule 91-507 for commercial or business purposes until after its public dissemination.

36. ICE Trade Vault shall be responsible for securing any and all necessary consents from third parties whose proprietary information is contained in the data reported to it under OSC Rule 91-507 before releasing it for commercial or business purposes.

37. In addition to the requirements set out in subsection 22(2) of OSC Rule 91-507, ICE Trade Vault shall not release data that is required to be reported pursuant to OSC Rule 91-507 for commercial or business purposes in relation to a product or service line without the Commission's prior written approval of the type and nature of the commercial or business product or service line, in the following manner:

(a) ICE Trade Vault shall provide the Commission with written notification of the type and nature of the commercial or business product or service line at least 10 business days prior to the intended launch date of the product or service line;

(b) If Commission staff within 10 business days of receipt of the notification do not object to such product or service line, then the product or service line shall be deemed to be approved by the Commission;

(c) If Commission staff within 10 business days of receipt of the notification object to such product or service line, then the Commission will review and make a decision regarding approval of such product or service line within 30 days of ICE Trade Vault providing notification to the Commission pursuant to paragraph (a) above.

TRANSITION REQUIREMENTS

38. ICE Trade Vault shall achieve the milestones set out in in Appendix "C" to this Schedule with respect to the development and implementation of its services.

39. Following its designation, ICE Trade Vault shall facilitate to the satisfaction of the Commission the testing of access and connectivity to its systems by the Commission.

40. Following its designation in Ontario, ICE Trade Vault shall conduct testing with respect to Ontario based participants under OSC Rule 91-507 and achieve results satisfactory to the Commission to gain assurance that data and reports that are required to be reported to the Commission reflect accurately and completely all data that is required to be reported by Ontario-based participants under OSC Rule 91-507. ICE Trade Vault shall provide summary results of such testing to the Commission promptly after the completion of such testing.

41. For a period of 2 years from the date of this order, filed 30 days after the end of each quarter, ICE Trade Vault shall provide a report summarizing (a) the number of applications in Ontario for access outstanding at the end of each quarter, and (b) any material issues encountered during each quarter relating to the onboarding of new participants or reporting from Ontario-based participants as well as ICE Trade Vault's plans to address them.

42. Following its designation in Ontario, and on an ongoing basis, ICE Trade Vault shall (a) ensure that appropriate access, including direct access, data feeds, browser and internet-based interfaces, reports or any other relevant form of access, is provided to the Commission, (b) monitor the development by any service provider it engages for all systems (including applications) supporting its trade repository functions, and (c) ensure that its systems are secure and that any security vulnerabilities are monitored and promptly corrected once identified.

43. Following its designation in Ontario, ICE Trade Vault shall ensure that any necessary maintenance and enhancement of its trade repository services and systems is being appropriately prioritized and staffed, and that any issues are appropriately escalated to senior management.

REPORTING REQUIREMENTS

44. ICE Trade Vault shall promptly notify the Commission of any event, circumstance, or situation that could materially prevent ICE Trade Vault's ability to continue to comply with the terms and conditions of the order.

45. ICE Trade Vault, as soon as reasonably possible, notify the Commission of any intended emergency response which would modify, limit, suspend or interrupt its services.

46. ICE Trade Vault shall promptly provide to the Commission information regarding any material known investigations or legal proceedings instituted against it, to the extent that it is not prohibited from doing so under applicable law.

47. ICE Trade Vault shall promptly provide to the Commission the details of any appointment of a receiver or the making of any voluntary arrangement with its creditors.

INFORMATION SHARING AND REGULATORY COOPERATION

48. ICE Trade Vault shall provide to the Commission any information related to its business as a designated trade repository as may be requested from time to time, and otherwise cooperate with, the Commission or its staff, subject to any applicable privacy or other laws (including solicitor-client privilege) governing the sharing of information and the protection of personal information.

49. ICE Trade Vault shall provide regulators other than the Commission with access to data that is required to be reported pursuant to Ontario securities law in compliance with the relevant laws and regulations governing such access.

APPENDIX "A"

CANADIAN PUBLIC AGGREGATE DATA REPORTING TEMPLATE

A trade repository designated in Ontario (an "Ontario-designated TR") is required to publically disseminate the range and type of aggregate metrics set out in this Appendix "A" in order to satisfy its obligations under section 39 of OSC Rule 91-507.

Part I. Current Notional and Number of Positions Outstanding

1. For each reporting period, an Ontario-designated TR must publish on the Report Date

   (a) the gross notional amount of all open positions, and

   (b) the total number of positions outstanding.

2. At a minimum, an Ontario-designated TR must publish the data described in section 1 for the following reporting periods:

   (a) current week,

   (b) previous week, and

   (c) four weeks prior to the current week.

3. An Ontario-designated TR must publish the data required by section 1 according to the following breakdowns:

   (a) Asset Class: Commodity, Interest Rate, Credit, Foreign Exchange and Equity;

   (b) Asset Classes in (a) by Tenor: 0-3 month, 3-6 month, 6-12 months, 12-24 months, 24-60 months, and greater than 60 months; and

   (c) Asset Classes in (a) by cleared/uncleared.

4. An Ontario-designated TR must publish the data required by section 1 according to the following Product Categories for each Asset Class:

Commodities	Interest Rate	Credit	Foreign Exchange	Equity
Metals	IR Swap	Single Name-Sovereign	Non-deliverable forwards	Single Name Swap
Power	FRA	Single Name-Non-Sovereign	Non-deliverable options	
Natural Gas	Cross Currency	Index (including Index tranche)	Forward	Single Index Swap
Oil	Option (Including cap/floor)	Total Return Swap	Vanilla Option	Basket Swap
Coal	Exotic	Swaptions	Exotic	Contract For Difference
Index	Other	Exotic	Other	Option
Agriculture		Other		Forward
Environment				Exotic
Freight				Other
Exotic				
Other				

5. Despite section 4, an Ontario-designated TR must publish the data required by section 1 for a particular Product Category specified in section 4 under the category of "Other" where there is less than 30 open positions in that Product Category for a given period.

6. Despite sections 3 and 4, an Ontario-designated TR is not required to report the gross notional amount of all open positions for the "Commodity" Asset Class.

7. An Ontario-designated TR must commence publication of the data required under this Part I Section 2.a beginning the week ending November 28th. An Ontario-designated TR must commence publication of the data required under this Part I Section 2.a and 2.b beginning the week ending December 5th. An Ontario-designated TR must commence publication of the data required under this Part I Section 2.a, 2.b, 2c beginning the week ending December 19th.

Part II. Turnover Notional and Number of Transactions

1. For each reporting period, an Ontario-designated TR must publish on the Report Date

   a) the gross notional turnover (i.e. the gross notional amount of all new transactions entered into for that period), and

   b) the total number of transactions.

2. At a minimum, an Ontario-designated TR must publish the data described in section 1 for the following reporting periods:

   (a) current week,

   (b) previous week, and

   (c) the trailing 4-week period.

3. An Ontario-designated TR must publish the data required by section 1 according to the following breakdowns:

   (a) Asset Class: Commodity, Interest Rate, Credit, Foreign Exchange and Equity;

   (b) Asset Classes in (a) by Tenor: 0-3 month, 3-6 month, 6-12 months, 12-24 months, 24-60 months, and greater than 60 months; and

   (c) Asset Classes in (a) by cleared/uncleared.

4. An Ontario-designated TR must publish the data required by section 1 according to the following Product Categories for each Asset Class:

Commodities	Interest Rate	Credit	Foreign Exchange	Equity
Metals	IR Swap	Single Name-Sovereign	Non-deliverable forwards	Single Name Swap
Power	FRA	Single Name-Non-Sovereign	Non-deliverable options	
Natural Gas	Cross Currency	Index (including Index tranche)	Forward	Single Index Swap
Oil	Option (Including cap/floor)	Total Return Swap	Vanilla Option	Basket Swap
Coal	Exotic	Swaptions	Exotic	Contract For Difference
Index	Other	Exotic	Other	Option
Agriculture		Other		Forward
Environment				Exotic

Commodities	Interest Rate	Credit	Foreign Exchange	Equity
Freight				Other
Exotic				
Other				

5. Despite section 4, an Ontario-designated TR must publish the data required by section 1 for a particular Product Category specified in section 4 under the category of "Other" where there are fewer than five new transactions a week in that Product Category during the previous four-week period.

6. Despite sections 3 and 4, an Ontario-designated TR is not required to report the turnover notional amount for the "Commodity" Asset Class.

7. An Ontario-designated TR must commence publication of the data required under this Part II beginning the week ending December 12th.

Explanatory Notes

Currency	The denomination currency of the reports is **Canadian dollars**. TRs are free to choose the conversion rate, but need to include the source in the reports. If the denomination currency of a transaction is non-Canadian dollar, the Canadian dollar equivalent notional amount should be calculated with report run date conversion rate.
Number of transactions	Represents the number of new unique transactions that are reported to a TR during the one-week period. Each transaction is recorded once, and netting arrangements and offsets (including compression) are ignored.
Pre-existing transactions	Pre-existing transactions should be included in calculating total outstanding notional and number of outstanding positions, while it should be excluded in calculating turnover notional and number of new positions.
Position Outstanding	It refers to a snapshot view of open transactions as of the end of the reporting period.
Report Date	TRs are expected to publish aggregation data by the following Wednesday after the report week
Tenor	For Current Notional and/or Positions Outstanding, use remaining contract maturity which is determined by the difference between the **weekly end date of the reporting period** and the expiry date for the position. For Turnover Notional and/or Number of Transactions, use original maturity which is determined by the difference between the end date and the start date. The tenor should be rounded into month. The upper bound of a bucket is included in the bucket (i.e. the 0-3M bucket includes 0, 1, 2 and 3M. and the 3-6 bucket does not include 3M.).
Week	A week is defined as having an execution timestamp between Saturday 12:00:00 AM UTC – Friday 11:59:59PM UTC. Transactions with an execution timestamp in the above period but reported in the following two days at the end of the week should be included in the weekly report. Transactions with an execution timestamp in the above period but reported after the following two days at the end of the week should not be included in the weekly report.
Criteria of assessing usability of public data	• Data could be downloaded. • Data in "analysis-friendly" format (e.g. csv) instead of pdf format. • Part 1 and 2 Section 2 period data could be viewed without signing up, making request or any other condition.
Counterparty identity	A designated trade repository must not disclose the identity of either counterparty to the transaction.

APPENDIX "B"

RULE REVIEW and APPROVAL PROTOCOL

1. PURPOSE

On September 19, 2014 the Commission issued a designation order with terms and conditions governing the designation of ICE Trade Vault pursuant to subsection 21.2.2 of the *Securities Act* (Ontario). To comply with OSC Rule 91-507 and the terms and conditions of the designation order, ICE Trade Vault shall file with the Commission documents outlining any Rule Subject to Approval. This protocol sets out the process for the filing, review and approval by the Commission of a Rule Subject to Approval.

2. DEFINITIONS

For the purposes of this Appendix:

"Canada-Based Participant" means a participant that (a) is a person or company organized under the laws of an Applicable Canadian Province or that has its head office or principal place of business in an Applicable Canadian Province, (b) is registered under the securities legislation of an Applicable Canadian Province as a derivatives dealer or in an alternative category as a consequence of trading in derivatives, or (c) is an affiliate of a person or company described in (a) and such person or company is responsible for the liabilities of that affiliated party.

"Applicable Canadian Province" means Manitoba, Ontario, Quebec or any other province or territory in Canada in which ICE Trade Vault is designated or recognized as a trade repository;

"Rule Subject to Approval" means a Rule that applies exclusively to Canada-Based Participants, excluding any amendments that are intended to effect:

(i) changes to the routine internal processes, practice or administration of ICE Trade Vault;

(ii) changes to correct spelling, punctuation, typographical or grammatical mistakes, or inaccurate cross-referencing; or

(iii) stylistic or formatting changes, including changes to headings or paragraph numbers.

Unless the context otherwise requires, other terms used in this Appendix "B" have the meanings ascribed to them in Ontario securities law (including terms defined elsewhere in this designation order).

3. PROCEDURES FOR REVIEW AND APPROVAL OF RULES

(a) Documents

For a Rule Subject to Approval, ICE Trade Vault will provide to the Commission, where applicable, the following documents in electronic format, or by other means as agreed to by Commission staff and ICE Trade Vault, from time to time:

(i) a cover letter that describes the Rule Subject to Approval and its nature and purpose; and

(ii) the existing Rule Subject to Approval and a blacklined version of the Rule Subject to Approval indicating its proposed changes.

(b) Confirmation of Receipt

Commission staff will promptly send to ICE Trade Vault confirmation of receipt of documents submitted by ICE Trade Vault under subsection (a).

(c) Deemed Approval of Rules Subject to Approval

If Commission staff do not object to a Rule Subject to Approval within 10 business days of receipt, the Rule shall be deemed approved. Otherwise, the Rule Subject to Approval will be reviewed and approved by the Commission in accordance with the procedures set out in paragraphs (d) to (g) of section 3 of this protocol.

(d) Publication of a Rule by the Commission

If Commission staff objects to a Rule Subject to Approval within 10 business days of receipt and it has an impact on current and possible future participants or the capital markets in general, Commission staff may require that a notice of change to a Rule Subject to Approval and, where applicable, a blacklined version of the Rule Subject to Approval, be published in the OSC Bulletin or the OSC website for a comment period of 30 days. The notice and accompanying Rule Subject to Approval will be published as soon as reasonably practicable.

(e) Review by Commission Staff

Commission staff will use their best efforts to conduct their review of the Rule Subject to Approval and provide comments to ICE Trade Vault within 30 days of ICE Trade Vault filing materials with the Commission. However, there will be no restriction on the amount of time necessary to complete the review of the Rule Subject to Approval in such instances.

(f) ICE Trade Vault Canada's Responses to Commission Staff's Comments

ICE Trade Vault will respond to any comments received to Commission staff in writing.

(g) Approval of Rules by the Commission

Commission staff will use their best efforts to prepare the Rule Subject to Approval for approval by the Commission by the later of:

(i) 45 days from receipt of the filing of the Rule Subject to Approval by ICE Trade Vault, including the filing of all relevant documents in subsection (a) above; or

(ii) 30 days after receipt of written responses from ICE Trade Vault to Commission staff comments or requests for additional information, and a summary of participant comments and ICE Trade Vault's response to those comments (and upon the request of Commission staff, copies of the original comments), or confirmation from ICE Trade Vault that there were no comments received.

(h) Effective Date of a Rule

A Rule Subject to Approval will be effective as of the date 10 business days after receipt of such Rule by the Commission absent object thereto, or on a date determined by ICE Trade Vault, if such date is later.

4. IMMEDIATE IMPLEMENTATION OF A RULE

(a) Criteria for Immediate Implementation

ICE Trade Vault may make a Rule Subject to Approval effective immediately where ICE Trade Vault determines that there is an urgent need to implement the Rule Subject to Approval because of a substantial and imminent risk of significant harm to ICE Trade Vault, participants, other market participants, or the capital markets.

(b) Prior Notification

Where ICE Trade Vault determines that immediate implementation is appropriate, ICE Trade Vault will advise Commission staff in writing as soon as possible. Such written notice will include an analysis to support the need for immediate implementation.

(c) Disagreement on Need for Immediate Implementation

If Commission staff do not agree that immediate implementation is necessary, the process for resolving the disagreement will be as follows:

(i) Commission staff will notify ICE Trade Vault of the disagreement in writing, or request more time to consider the immediate implementation within 3 business days of being advised by ICE Trade Vault under subsection (b); and

(ii) Commission staff and ICE Trade Vault will discuss and resolve any concerns raised by Commission staff in order to proceed with the immediate implementation.

(d) Review of Rule Implemented Immediately

A Rule Subject to Approval that has been implemented immediately will be reviewed and approved by the Commission in accordance with the procedures set out in section 3, with the necessary modifications. If the Commission subsequently disapproves the Rule Subject to Approval, ICE Trade Vault will immediately repeal the Rule Subject to Approval and inform its participants of the disapproval.

5. MISCELLANEOUS

(a) Waiving Provisions of the Protocol

Commission staff may exercise its discretion to waive any part of this protocol upon request from ICE Trade Vault, or at any time it deems it appropriate. A waiver granted upon request by ICE Trade Vault must be granted in writing by Commission staff.

(b) Amendments

This protocol and any provision hereof may, at any time, be amended by mutual agreement of the Commission and ICE Trade Vault.

APPENDIX "C"

IMPLEMENTATION MILESTONES

1. PURPOSE

On September 19, 2014 the Commission issued a designation order with terms and conditions governing the designation of ICE Trade Vault pursuant to subsection 21.2.2 of the *Securities Act* (Ontario). To comply with OSC Rule 91-507 and the terms and conditions of the designation order, ICE Trade Vault shall achieve the milestones set out in this Appendix with respect to the development and implementation of its services.

2. MILESTONES

ICE Trade Vault shall:

(a) facilitate the testing of access and connectivity to its systems by the Commission by September 5, 2014 for commodities, to be completed by September 17, 2014;

(b) facilitate the testing of access and connectivity to its systems by the Commission by September 30, 2014 for credit and foreign exchange, to be completed by October 17, 2014; and

(c) provide user acceptance testing for participants and users for the foreign exchange, credit and commodity asset classes by September 12, 2014.

SCHEDULE "B"

DIRECTOR'S EXEMPTION

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

AND

IN THE MATTER OF
ICE TRADE VAULT, LLC

DECISION
(Section 42 of OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting)

WHEREAS ICE Trade Vault, LLC (ICE Trade Vault) has applied to the Commission for designation as a trade repository under section 21.2.2 of the Act, and will be subject to OSC Rule 91-507 and the terms and conditions of its designation order;

AND WHEREAS the Director may, pursuant to section 42 of OSC Rule 91-507, exempt ICE Trade Vault, in whole or in part, from a requirement in OSC Rule 91-507 *Trade Repositories and Derivatives Data Reporting* (OSC Rule 91-507);

AND WHEREAS OSC Rule 91-507 would require ICE Trade Vault to file:

(a) to file audited financial statements for its most recently completed financial year with the Commission as part of its application for designation pursuant to subsection 4(1),

(b) annual audited financial statements with the Commission no later than the 90th day after the end of its financial year pursuant to subsection 5(1), and

(c) its proposed new or amended rules, policies and procedures (collectively, rules) for approval pursuant to subsection 17(5);

AND WHEREAS ICE Trade Vault has applied for an exemption from the requirements under each of subsections 4(1), 5(1) and 17(5) of OSC Rule 91-507;

AND WHEREAS ICE Trade Vault is provisionally registered as a Swap Data Repository (SDR) with the Commodity Futures Trading Commission (CFTC) in the United States and is subject to CFTC's requirements;

AND WHEREAS ICE Trade Vault does not have audited financial statements for its most recently completed financial year, and Ice Trade Vault has provided to the Commission its unaudited financial statements and audited financial statements of its ultimate parent, Intercontinental Exchange, Inc., for the most recent financial year;

AND WHEREAS ICE Trade Vault is not required to file annual audited financial statements with the CFTC, but is required to file annual unaudited financial statements and to maintain liquid net assets equal to a minimum of six months of operating expenses pursuant to CFTC requirements; and ICE Trade Vault has represented that it will provide annually unaudited financial statements to the Commission concurrently with filing with the CFTC and will maintain the required liquid net assets;

AND WHEREAS ICE Trade Vault is required to file with the CFTC proposed new or amended rules pursuant to CFTC's requirements, and application of subsection 17(5) of OSC Rule 91-507 to ICE Trade Vault may result in regulatory duplication, to the extent that proposed new or amended rules are subject to prior approval by the CFTC;

AND WHEREAS the Director is satisfied that an exemption from:

(a) Subsection 4(1) of OSC Rule 91-507,

(b) subsection 5(1) of OSC Rule 91-507, and

(c) subsection 17(5) of OSC Rule 91-507 for proposed new or amended rules, policies and procedures that are not applied exclusively to Canada-Based Participants would not be prejudicial to the public interest;

AND WHEREAS "Canada-Based Participant" has the meaning ascribed to it in the Commission's order designating ICE Trade Vault as a trade repository pursuant to section 21.2.2 of the Act;

IT IS THE DECISION of the Director that pursuant to section 42 of Rule 91-507, ICE Trade Vault is exempt from:

(a) Subsection 4(1) of OSC Rule 91-507,

(b) Subsection 5(1) of OSC Rule 91-507, and

(c) subsection 17(5) of OSC Rule 91-507 for proposed new or amended rules, policies and procedures that are not applied exclusively to Canada-Based Participants;

PROVIDED THAT:

(a) ICE Trade Vault remains registered as a Swap Data Repository and subject to the regulatory oversight and requirements of the CFTC;

(b) ICE Trade Vault files with the Commission, concurrently with filing with the CFTC and no later than the 90th day after the end of its financial year:

(i) Annual unaudited financial statements of ICE Trade Vault prepared in accordance with U.S. GAAP as defined in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107), and

(ii) Annual audited financial statements of its ultimate parent, IntercontinentalExchange, Inc. prepared in accordance with U.S. GAAP as defined in NI 52-107; and

(c) ICE Trade Vault's proposed new or amended rules, policies and procedures are subject to prior approval by the CFTC.

DATED September 12, 2014, and **EFFECTIVE** on the following dates:

(a) Immediately, regarding the decision of the Director with respect to subsection 4(1) of OSC Rule 91-507; and

(b) On the effective date of the designation of ICE Trade Vault, regarding the decision of the Director with respect to all other subsections of OSC Rule 91-507 from which ICE Trade Vault is exempt.

"Susan Greenglass"
Director, Market Regulation Branch

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 OSC Decisions, Orders and Rulings

3.1.1 Alexander Christ Doulis and Liberty Consulting Ltd. – s. 127

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

AND

IN THE MATTER OF
ALEXANDER CHRIST DOULIS (aka ALEXANDER CHRISTOS DOULIS,
aka ALEXANDROS CHRISTODOULIDIS) and LIBERTY CONSULTING LTD.

REASONS AND DECISION
(Section 127 of the Act)

Hearing:	February 4, 7, 8, 11 and 13, 2013 April 3, 4 and 5, 2013 July 3 and 30, 2013		
Decision:	September 18, 2014		
Panel:	Vern Krishna, CM, QC, LSM	–	Commissioner
Counsel:	Jon Feasby	–	For Staff of the Ontario Securities Commission
Appearances:	Alexander Doulis	–	Self-represented John Eversley for April 4 and 5, 2013
		–	No one appeared for Liberty Consulting Ltd.

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REASONS AND DECISION

I. BACKGROUND

A. The Allegations

[1] This proceeding was commenced on January 14, 2011, when the Ontario Securities Commission (the "**Commission**") issued a Notice of Hearing in relation to a Statement of Allegations filed by Staff of the Commission ("**Staff**") on and dated January 14, 2011. Staff alleges that:

(a) between January 1, 2004 and September 2010 (the "**Material Time**"), Alexander Christ Doulis also known as Alexander Christos Doulis, also known as Alexandros Christodoulidis ("**Doulis**") and Liberty Consulting Ltd., also known as Liberty Consulting for the Offshore and also known as Liberty Consulting of the Turks and Caicos Island ("**Liberty**" or "**Liberty Consulting**") engaged in the business of advising with respect to investing in, buying or selling securities without being registered in accordance with Ontario securities law in any category of adviser, contrary to subsection 25(1)(c) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "**Act**") (in force until September 28, 2009) and subsection 25(3) of the Act (in force as of September 28, 2009); and

(b) between July 2009 and September 2010, Doulis made statements to Staff that in a material respect and at the time and in light of the circumstances under which they were made, were misleading or untrue or did not state facts that were required to be stated or that were necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act.

Doulis denies both allegations. Liberty did not participate in the proceeding.

B. The Temporary Order Hearing

[2] On March 10, 2011, a different Panel of the Commission (the "**Temporary Order Panel**") heard Staff's application for a temporary order ("**Temporary Order**") pursuant to section 127 of the Act that, until the completion of the hearing on the merits in this matter (the "**Merits Hearing**"): (i) Doulis and Liberty (together, the "**Respondents**") cease trading in and acquiring any securities except for the benefit of Doulis personally or that of his spouse, Sally Doulis; and (ii) any exemptions contained in Ontario securities law do not apply to the Respondents (the "**Application**").

[3] At the hearing of the Application (the "**Temporary Order Hearing**"), Staff relied on the Affidavit of Larry Masci ("**Masci**"), a Senior Investigator with Staff, sworn February 17, 2011, with two binders of exhibits attached (the "**February 2011**

Affidavit", and a Supplementary Affidavit of Masci, sworn March 3, 2011, with several exhibits attached (the "**March 2011 Affidavit**" and together with the February 2011 Affidavit, the "**Masci Affidavits**").

[4] The Respondents relied on the Affidavit of Doulis, sworn March 8, 2011, with several exhibits attached (the "**Doulis Affidavit**"). Doulis was cross-examined on the Doulis Affidavit at the Temporary Order Hearing. Doulis also called two investors to testify on his behalf, Investor One and Investor Two (as defined below) and presented a support letter provided by one of the investor witnesses (the "**Investor One Letter**"), and an invoice sent to an investor who did not testify (the "**February 2011 Invoice**").

[5] On September 9, 2011, the Temporary Order Panel, granted the Application, except that the request for a temporary order prohibiting the acquisition of securities under paragraph 2.1 of subsection 127(1) of the Act was declined in the absence of submissions as to whether subsection 127(5) of the Act gave the Commission authority to issue such an order on a temporary basis (the "**Temporary Order Decision**").

C. The Merits Hearing

[6] The Merits Hearing was held over five days in February 2013 and three days in April 2013 respectively. Staff and Doulis filed written submissions, and preliminary matters and their oral closing submissions were heard on July 3 and 30, 2013 respectively.

[7] I reserved my decision at the close of the Merits Hearing.

II. THE RESPONDENTS

A. Doulis

[8] Doulis is a Canadian citizen. He is also a citizen of Greece. Doulis was listed as the sole director and sole shareholder of Liberty from February 19, 2002 (Exhibit S12 – Volume 1B, Tab G, p. 61-69) until June 2005. On or about June 2005, Doulis transferred his formal ownership of Liberty to a trust constituted under the laws of the Isle of Man on February 3, 2003 (the "**Paladin Trust**").

[9] Doulis was registered with the Commission in various capacities from May 24, 1979 to December 15, 1989. Doulis is not currently registered with the Commission in any capacity and has not been registered under that Act after December 15, 1989. Doulis resides at 160 Frederick Street, Suite 203, in Toronto, Ontario.

B. Liberty

[10] Liberty is a corporation incorporated pursuant to the laws of the Turks and Caicos on November 15, 1995 (Exhibit S12 – Volume 1B, Tab G, p. 61-69) with its registered office listed as of February 19, 2002 as 160 Frederick Street, Suite 203, Toronto, Ontario (the "**Liberty Office**"). (Exhibit S12 – Volume 1B, Tab G, p. 61-69) Liberty is not currently and has never been registered under the Act. (Exhibit 39 – Volume 1B, Tab D, p. 19-23)

[11] The Liberty Office is a residential condominium (the "**Condominium**") owned by Minotaur Capital Corporation ("**Minotaur Capital**"). (Exhibit S47 – Volume 1B, Tab N, p. 181) Minotaur Capital is a company incorporated in Ontario in 1987. The Ontario government corporation profile report for Minotaur Capital dated August 13, 2009, lists Doulis as director, secretary and president of Minotaur Capital beginning March 22, 1993. Sally Doulis, the spouse of Doulis, succeeded Doulis as president and secretary of Minotaur Capital on October 30, 1994. (Exhibit S46 – Volume 1B, Tab M, p. 172) As of August 13, 2009, she held the positions of president, director, secretary and treasurer of Minotaur Capital. Minotaur Capital rents the Condominium to Liberty.

III. THE ISSUES

[12] The two issues before me in the Merits Hearing are whether:

(a) during the Material Time, each of the Respondents engaged in the business of advising with respect to investing in, buying or selling securities without being registered in accordance with Ontario securities law in any category of adviser, contrary to subsection 25(1)(c) of the Act (in force until September 28, 2009) and subsection 25(3) of the Act (in force as of September 28, 2009) (the "**Unregistered Advising**" allegation); and

(b) between July 2009 and September 2010, Doulis made statements to Staff that, in a material respect and at the time and in light of the circumstances under which they were made, were misleading or untrue or did not state facts that were required to be stated or that were necessary to make the statements not misleading, contrary to subsection 122(1)(a) of the Act.

The Merits Hearing is a hearing *de novo*, and Staff bears the onus of proving its allegations on a balance of probabilities.

[13] In contrast to the issues in the Merits Hearing, the issue in the Temporary Order Hearing was whether it was in the public interest to issue a temporary order against the Respondents pending the completion of the Merits Hearing. Although the issues in the Merits Hearing arise out of the same underlying facts and law as the issues in the Temporary Order Hearing, the findings in the Temporary Order Decision are not *res judicata*.

IV. THE STANDARD OF PROOF

[14] The standard of proof applicable in Commission proceedings is proof on a balance of probabilities. Staff referred us to *F.H. v. McDougall*, [2008] 3 SCR 41 ("***McDougall***"), a Supreme Court of Canada decision, which states that:

> ... in civil cases there is only one standard of proof and that is proof on a balance of probabilities. In all civil cases, the trial judge must scrutinize the relevant evidence with care to determine whether it is more likely than not that an alleged event occurred.
>
> (*McDougall*, at para 49)

[15] The Supreme Court of Canada further stated that:

> ... evidence must always be sufficiently clear, convincing and cogent to satisfy the balance of probabilities test.
>
> (*McDougall*, *supra*, at para 46)

[16] In this matter, Staff makes serious allegations against each of the Respondents. Accordingly, I must be satisfied that there is sufficient clear, convincing and cogent evidence to support my finding. I must scrutinize the evidence with care in deciding whether the alleged events are more likely than not to have occurred.

V. JURISDICTION

[17] Doulis submitted that the Commission does not have jurisdiction in this matter because Liberty is advising clients in the Turks and Caicos Islands. The question that I must consider is whether the activities of Doulis and Liberty that are alleged to contravene the Act, as a whole, had a significant nexus to Ontario.

[18] The Supreme Court of Canada addressed this issue. In *Gregory & Co. Inc. v Quebec Securities Commission et al*, [1961] SCR 584, ("***Gregory***"), the corporate respondent argued that its business activities were not subject to the jurisdiction of the Quebec Securities Commission. Although the respondent had its head office in Montreal, mailed promotional materials and telephoned investors from Montreal, and directed investors to mail cheques for payment to Montreal, where it maintained its bank account, the investors resided outside Quebec. The Supreme Court of Canada concluded that the respondent did carry on the business of trading in securities and acting as investment counsel in Quebec. The Supreme Court of Canada held that:

> The fact that the securities traded by [the] appellant would be for the account of customers outside of the province or that its weekly bulletins would be mailed to clients outside of the province, does not, as decided in the Courts below, support the submission that [the] appellant was not trading in securities or acting as investment counsel, in the province, within the meaning and for the purposes of the Act Respecting Securities.
>
> The paramount object of the Act is to ensure that persons who, in the province, carry on the business of trading in securities or acting as investment counsel, shall be honest and of good repute and, in this way, to protect the public, in the province or elsewhere, from being defrauded as a result of certain activities initiated in the province by persons therein carrying on such a business.
>
> (*Gregory*, at pp. 588-589)

[19] The Commission has applied this principle, as set out in *Gregory*, in other cases and found that respondents have acted in furtherance of trades even though there was no evidence that the trades involved investors in Ontario. For example, in *Re Patrick Fraser Kenyon Pierrepont Lett et al*, (2004), 27 OSCB 3215 ("***Re Lett***"), the Commission found that the respondents had acted in furtherance of trades and that those acts occurred in Ontario, although there was no evidence that the trades involved investors in Ontario:

> The Respondents were all based in the Toronto area, had bank accounts in the Toronto area, [and] carried on business in the Toronto area. Most, if not all, of the documents referred to in the Agreed Statement of Facts and in the six volumes of documents composing the Joint Hearing Brief consist of documents that were either sent by the Respondents from the Toronto area or addressed to them in the Toronto area. (*Re Lett* at para 66)

[20] In addition, in *Re Allen* (2005), 28 OSCB 8541 ("***Re Allen***"), the Commission found that it had,

> jurisdiction over a trade in securities, notwithstanding that the purchaser was in a different province, provided that some substantial aspect of the transaction occurred within Ontario.

[21] In *Re Allen*, the Commission citing *Gregory*, found that,

> …sales of securities of Andromeda were made by the Respondents to investors in Ontario and in Alberta. A substantial portion of the activities surrounding the sales of these securities by the Respondents took place in Ontario. The issuer is located in Welland, Ontario. The Respondent's offices and operations were based in Toronto, Ontario. The promotional materials were mailed from Toronto. The phone calls made by the Respondents were made from their Toronto offices and cheques in payment for the purchase of Andromeda securities were also sent to this location.
>
> (*Re Allen* at para 20)

[22] The Supreme Court of Canada in *Libman v The Queen*, [1985] 2 SCR 178 ("***Re Libman***"), held that the accused could be charged with fraud and conspiracy to commit fraud under the *Criminal Code*, R.S.C. 1985, c. C-46, as amended, even though some elements of the offences occurred outside Canada. In *Re Libman*, the Supreme Court also noted that an offence can occur in more than one place:

> Although offences are local, the nature of some offences is such that they can properly be described as occurring in more than one place. This is peculiarly the case where a transaction is carried on by mail from one territorial jurisdiction to another, or indeed by telephone from one such jurisdiction to another. This has been recognized by the common law for centuries.
>
> (*Re Libman, supra* at para 53 citing *R v W. McKenzie Securities Ltd.*, [1966] 4 CCC 29 at p 37-38)

[23] Libman and his employees allegedly telephoned U.S. residents and attempted to sell them shares in two Costa Rican gold mining companies. Promotional materials were mailed out from Costa Rica or Panama, investors were told to send their money to offices in Costa Rica or Panama, and Libman met with associates in Costa Rica and Panama to receive his share of the proceeds. However, the "boiler room" was located in Toronto and some of the proceeds were wired back to Toronto.

[24] I conclude that the conduct of the Respondents during the Material Time had a significant and substantial connection to Ontario. In coming to this conclusion, I considered the following factors, that during the Material Time: (i) the Liberty Office and Doulis were located in Ontario; (ii) the Investor Witnesses were located in Toronto; (iii) the emails and invoices originated in Toronto from the Liberty Office, and were sent to Clients in Ontario; (iii) the Client Accounts (as defined below) and the "*General Authorization*" form at Desjardins Securities authorizing Doulis to act as a power of attorney over the Client Accounts (as defined below) (the "**POA Forms**") originated and were signed in Ontario; (iv) duplicate copies of the account statements of the Investor Witnesses were mailed from Desjardins Securities and sent to Doulis at the Liberty Office in Toronto; (iv) the brokerage accounts of the Investor Witnesses were located in Toronto; (v) certain Clients wired funds to the Liberty Account (as defined below) and to Doulis from Toronto; and certain Clients mailed cheques to Liberty at the Liberty Office in Toronto for portfolio services.

[25] Therefore, I find that the Commission has jurisdiction over the conduct of the Respondents in this matter.

VI. POSITIONS OF THE PARTIES

A. Staff

[26] Staff submitted that each of Doulis and Liberty engaged in Unregistered Advising activity during the Material Time. Staff submitted that during the Material Time, Doulis used the powers of attorney ("**POA(s)**") he had over the brokerage accounts (the "**Client Accounts**") of twelve individuals and corporations (the "**Clients**") at Desjardins Securities Inc. ("**Desjardins Securities**") to provide investment advisory services to the Clients for a business purpose. The POAs authorized Doulis to make all trading decisions and issue trading instructions in the Client Accounts for the Clients. The POAs permitted Doulis to have complete discretionary trading authority over the Client Accounts.

[27] Staff further submitted that Doulis personally invoiced the Clients for his services through Liberty, setting out the remuneration the Clients would pay; and that Doulis received both a direct and indirect benefit of the funds paid by the Clients.

[28] Staff also submitted that Doulis misled Staff of the Commission during the course of their investigation of his advising activity and made a number of false and/or misleading statements during:

(i) a voluntary, joint interview by the Investment Industry Regulatory Organization of Canada ("**IIROC**") and Staff on July 15, 2009 (the "**Phone Interview**");

(ii) a compelled examination under oath on July 13, 2010 pursuant to a section 13 examination under the Act (the "**Compelled Examination of Doulis**"); and

(iii) in letters and emails that Doulis voluntarily wrote to Staff on numerous occasions (the "**Doulis Correspondence**").

[29] Staff submitted that in the Phone Interview, the Compelled Examination of Doulis, and the Doulis Correspondence, Doulis made statements that:

(i) falsely minimized his role with Liberty;

(ii) he did not send, nor was he aware that anyone had sent, invoices to the Clients;

(iii) he did not know what remuneration Liberty received; and

(iv) he was not being paid directly or indirectly by any of the Clients.

B. The Respondents

[30] Doulis submitted at the Merits Hearing that there is "no evidence whatsoever of any sort that Doulis advised anyone anywhere to buy a security" (Hearing Transcript, July 30, 2013, p. 81, lines 18-21) and that, in substance, no advice was provided. Accordingly, there is no evidence of advising.

[31] Doulis also submitted that there is no connection between the benefits that he received from Liberty and the function that he was providing for the Clients. Doulis maintains that both the office space that he was provided at the Liberty Office and the retainer he received from Liberty were not connected to his functions with the Clients.

[32] No submissions were made by Liberty.

VII. THE EVIDENCE

A. Staff

1. Overview

[33] Staff called Tom Anderson ("**Anderson**") and Joan Chambers ("**Chambers**"), who are investigators with Staff, and Staff also called four investors: Investor One, Investor Two, Investor Three, and Investor Four (collectively, the "**Investor Witnesses**").

[34] At the start of the Merits Hearing, Staff and Doulis agreed that the documents admitted at the Temporary Order Hearing could be admissible at the Merits Hearing. Staff introduced five volumes of hearing briefs and a number of loose exhibits (Staff's "**Hearing Brief**"). Four volumes of Staff's Hearing Brief consisted of the hearing transcript of the Temporary Order Hearing ("**Transcript of the Temporary Order Hearing**") and the documentary evidence admitted at the Temporary Order Hearing, including the Masci Affidavits, the Doulis Affidavit, the Investor One Letter and the February 2011 Invoice. The exhibits appended to the Masci Affidavits included, among other documents, the transcripts of the compelled examination of the Investor Witnesses, with appended exhibits, including new client application forms from Desjardins Securities, POA Forms, and correspondence with Doulis with respect to their investments.

[35] Also appended to the Masci Affidavits were transcripts of compelled examinations, with attached exhibits, of each of Edward Milewski ("**Milewski**") and Elisa Baker-Moteeram ("**Baker**"), formerly of Desjardins Securities, who executed the trades. The fifth volume of Staff's Hearing Brief included, among other documents, additional correspondence from Doulis. Staff's documentary evidence also included: (i) certificates issued under section 139 of the Act, each dated November 10, 2010 (the "**Section 139 Certificates**") and issued by the Compliance and Registrant Regulation Branch of the Commission regarding

Doulis and Liberty; (ii) corporation profile reports and other business documents relating to Liberty, the Paladin Trust and Minotaur Capital; and (iii) bank records relating to two Liberty bank accounts in the Turks and Caicos Islands.

2. Transcripts

[36] Staff included in its Hearing Brief, the transcripts of several compelled examinations of non-Respondents, which were obtained pursuant to section 13 of the Act, including those of the four Investor Witnesses who testified before me at the Merits Hearing, and were available to Doulis for cross-examination. I regard the testimony of the Investor Witnesses at the Merits Hearing as the most cogent and reliable evidence. Accordingly, I have disregarded the transcripts of compelled examination of the Investor Witnesses, except where used to impeach their credibility.

[37] For the same reason, I have taken the same approach to the Hearing Transcript from the Temporary Order Hearing, included in Staff's Hearing Brief.

3. Anderson

[38] Anderson is an investigator employed with Staff of the Enforcement Branch of the Commission and for 15 years. Prior to his employment with the Commission, Anderson was a member of the Royal Canadian Mounted Police.

[39] Anderson was Staff's primary witness in terms of identifying materials and describing, to the extent necessary, the investigation of Doulis and Liberty (the "**Investigation**"). Anderson provided a general overview of the Investigation and identified Staff's documentary evidence that was obtained.

[40] Anderson testified that Staff received a letter, dated December 2, 2008, from Brigitte Hubert, Senior Compliance Officer of Desjardins Securities advising that Doulis had an association with a number of Client Accounts (the "**Desjardins Complaint Letter**"). The Desjardins Complaint Letter expressed that Desjardins Securities was concerned that Doulis was required to register under the Act in order to conduct himself with respect to the Client Accounts. Staff also received, along with the Desjardins Complaint Letter, correspondences between Desjardins Securities and the Investor Witnesses, as well as correspondence that Desjardins Securities had received from or exchanged with Doulis.

[41] Anderson testified that after the Desjardins Complaint Letter was received by the Commission, the matter was referred to the Case Assessment Unit within the Enforcement Branch of the Commission and Joan Chambers was assigned to the matter (the "**Doulis Matter**").

[42] Anderson testified that he was not the initial investigator assigned to the Doulis Matter. The Doulis Matter was previously assigned to two other investigators; (i) Don Panchuk, who subsequently, took on other duties within the Commission; and (ii) Masci. Anderson assumed responsibility for the Doulis Matter in the summer of 2011 when Masci's involvement in the file ended.

Documentation Relating to Doulis and Liberty

[43] Staff tendered through Anderson, relevant documentation pertaining to Doulis and Liberty obtained by Staff in the Investigation of the Doulis Matter. Specifically, Anderson identified and Staff entered into evidence copies of two (2) passports each belonging to Doulis: one Canadian, issued on October 24, 2001; and one Greek, identifying Doulis as a Canadian and Greek citizen, respectively. The Greek passport was issued on January 25, 1999 and expired on January 24, 2004. It also identified the residency status of Doulis as "Canada".

[44] Staff also tendered, through Anderson, relevant documentation showing that Doulis (i) established the Paladin Trust which owned Liberty, and (ii) established and controlled the activities in bank and brokerage accounts belonging to Liberty (the "**Liberty Accounts**"), including the following:

(i) Doulis Establishes the Paladin Trust

[45] In a trilogy of email exchanges beginning November to December, 2002, from Doulis to Mark Wilkinson, Isle of Man ("**Wilkinson**"), Doulis outlined the particulars pertaining to the establishment of the Paladin Trust. On November 21, 2002 (the "**November 21, 2002 Email**") Doulis sent an email to an address of Wilkinson, advising:

> Mark,
>
> The company will be settling a trust and the securities it holds will be transferred to the trust. I have instructed that the account will continue to be handled by yourself.

> I also have in my possession some certificates that are in the corporate name and as you know for which I have signing authority. The acceptable manner in Canada would be for me to sign off on them and have my signature witnessed by Canadian bank [*sic*]. Seeing as the certificates will be registered in Canada I would suspect that that should suffice for your office.
>
> (Exhibit S41 –Volume 1B, Tab F, p. 58)

[46] The Subject line of the November 21, 2002 Email stated "Elifthiria."

[47] In a subsequent email from Doulis to Wilkinson dated November 23, 2002 (the "**November 23, 2002 Email**"), Doulis stated:

> Further to the Paladin Trust being established at ICSL and settled by Elifthiria under Canadian tax law a trust settled by a Canadian is taxable irrespective of where it is domiciled. As a result Paladin Trust is being settled by a resident and citizen of Greece. The beneficiary will be a Canadian citizen. There will be not [sic] tax liabilities in Canada.
>
> 1) The due diligence issues are not as simple as might be first imagined. Elifthiria has a beneficial owner Alexander Christodoulidis, a Greek Citizen and resident. This is the settlor of the trust. Liberty will have as a director, the beneficiary of the trust a Canadian citizen.
>
> 2) The new owner of the securities will be an existing Turks & Caicos company, Liberty that will be owned by the Paladin Trust. Liberty's ownership is being transferred to ICSL.
>
> 3) Canadian registrars will by and large accept certificates signed off by a corporate officer if the signature if guaranteed [sic] by the corporation's broker and the signature has been witnessed by a Canadian Bank. The same applies to Powers of Attorney for securities. I agree that it is best to use PA's rather than the certificates.
>
> 4) After I finish with the Paladin Trust I would like to maintain an account at CIL for myself. Can the existing KYC information you have for me be used to open the new account?
>
> […]
>
> Please arrange for all of Elifthiria's securities to be transferred to Liberty and advise me of what other documentation you will need from me and Elifthiria. I have a deadline of December 20th to have all of this wound up.

[48] In a third email from Doulis to Wilkinson dated December 19, 2002 (the "**December 19, 2002 Email**"), Doulis writes:

> The Paladin Trust will have its beneficiaries Alex Doulis (Canadian Citizen) and Sally Doulis (US Citizen). The account you have currently for Elifthiria is administered by Alexander Christos Doulis (Greek Citizen). He is the beneficial owner of Elifthiria.
>
> Elifthiria will be wound up as of the end of the year as it is settling its assets into the Paladin Trust.
>
> Liberty Consulting is being sold by Alex Doulis to the Paladin Trust. Liberty will be the operating entity for the Paladin Trust.

[49] On February 3, 2003, a trust deed was made between N.V. Macor, a company incorporated and existing under the laws of the Netherlands Antilles with its registered office in Pietermaai, Curacao, Netherlands Antilles (the "**Settlor**") and ICSL Trustees Limited, a company incorporated and existing under the laws of the Isle of Man and having its registered office at Sovereign House, St. John's, the Isle of Man (the "**Trustee**") establishing the Paladin Trust Indenture (the "**Paladin Trust Indenture**").

[50] The Paladin Trust Indenture was established under, and constructed in accordance with, the laws of the Isle of Man. The eligible beneficiary of the Paladin Trust is Doulis and his address is listed as c/o 160 Frederick Street, Suite 203, Toronto, Ontario. Christos Doulis is listed as the protector for the time being of the Paladin Trust Indenture. The Paladin Trust Indenture states that "Protector" means "such person, or persons listed in Schedule Three hereof and such other person or persons as

may from time to time be nominated or substituted by the settler giving notice in writing to the trustee". (Exhibit S40 –Volume 1B, Tab E, p. 31)

[51] The Paladin Trust Indenture stated, among other things, that the:

> Trustee shall keep accurate accounts of this trusteeship and provide a financial accounting to the protector by the 15th of January each year with the first accounting to end on 31st December 2003 and may have them audited annually at the expense of the trust fund or the income thereof as the trustee shall determine by a firm of Chartered or similarly qualified Accountants selected by the Trustee.
>
> (Exhibit S40 – Volume 1B, Tab E, p. 37)

The Paladin Trust Indenture also states, among other things, that the Protector is entitled to request and promptly receive information and accounts in respect of the trust from the Trustee.

[52] By letter dated December 1, 2005 (the "**December 1, 2005 Letter**"), Doulis informed Wilkinson that Liberty is owned by the Paladin Trust, the protector of which is Christos Doulis. In the December 1, 2005 Letter, Doulis asked that Christos Doulis be provided with power of attorney over the Liberty Accounts to be able to do certain things including direct the purchase and sale of securities for the Liberty Account, and to direct the payment of cash balances in the Liberty Accounts as required. In the December 1, 2005 Letter, Doulis stated that Christos Doulis will not have the ability to remove or place assets in the account.

[53] A document on Liberty letterhead dated November 30, 2004 regarding a meeting of the Board of Directors identified Wilkinson as appointed Secretary of Liberty. The document is signed by Doulis as president and sole director. Sally Doulis signed as witness. An email from Wilkinson dated 02/04/2004 identifies Doulis as "the discretionary manager to Leaven Investments and is the beneficial owner of Liberty". (Exhibit S44 – Volume 1B, Tab J, p. 75)

(ii) Doulis Establishes and Controls the Activity in the Liberty Accounts

[54] In an email exchange between Marlon Joseph ("**Joseph**"), the Turks and Caicos Financial Services Commission and A. Higgs, FirstCaribbean Int'l Bank Turks & Caicos Islands dated August 5, 2010, Joseph advises that:

> Doulis is a principal of Liberty Consulting and has been associated with Liberty Consulting accounts since May 1997. Other individuals associated with the accounts are:
>
> - Sally Doulis – Signing Officer
> - Christos Doulis – Signing Officer
>
> Liberty Consulting is a holder of our secured credit card and maintains a United States dollar account # 1400093 [("**Liberty USD Bank Account**")] and a Canadian dollar account # 1400085 [("**Liberty CAD Bank Account**")]. The company nature of business is said to be "Investment Holding."

[55] In a series of email exchanges between Doulis and Wilkinson dated March 2, 2003 (the "**March 2, 2003 Email**") and March 13, 2002 (the "**March 13, 2002 Email**") Doulis advises Wilkinson that he has arranged a bank account for Liberty with Barclays Bank PLC Providenciales Turks & Caicos Islands. In the March 2, 2003 Email, Doulis advises that the account number is the Liberty USD Bank Account and in the March 13, 2002 Email Doulis advises that the account should be "operational."

[56] Additionally, brokerage account documents for the Liberty Accounts at Capital International Limited and copies of e-mails directing the transfers of shares and funds from the Capital International account identified the client reference for the client name "Liberty Consulting" as "CALIBCON." The notes to the account document states:

> introduced by Alex Doulis – see Elifthiria NV". The notes also state: "the Elifthiria NV file contains further information concerning source of funds, which reveal that the source of funds is savings and the principle beneficiary is a retired partner and director of a Toronto Stock Exchange Firm – details not supplied at this point in time

[57] The document is signed by Wilkinson. A corporate resolution for Liberty dated April 20, 2005 also authorizes Doulis, as president, "to sell, assign, and transfer securities registered in the name of Liberty Calibcon." (Exhibit S43 – Volume 1B, Tab I, p. 74)

Payments made to Minotaur Capital from Liberty Accounts

[58] Staff tendered through Anderson, a series of emails from each of Doulis and Sally Doulis to Wilkinson from 2009-2010 requesting wire transfers from CALIBCON to Minotaur Capital for the payment of office rent for the Liberty Office.

The Doulis Correspondence

[59] Staff also tendered through Anderson, the Doulis Correspondence, and other correspondence Doulis sent to the Investor Witnesses and as well as the CFA Institute. The Doulis Correspondence includes specifically:

- as Exhibit S63 an email dated July 13, 2009, to Ms. Peggy Dowdall-Logie Executive Director of the Commission, signed by Doulis;
- as Exhibit S73, a letter dated February 24, 2009, on letterhead of the CFA Institute to Rod Kenny, Manager of Compliance at Raymond James LTD;
- two letters sent by Joanna Fallone ("**Fallone**") to Doulis, dated August 18, 2009 and September 3, 2009 and entered as Exhibits S74 and S75 respectively;
- as Exhibit S78, an email sent by Doulis to certain clients, copying Fallone, dated September 8, 2009; and
- as Exhibit S79, an email with the subject line entitled "Witch Hunts" dated June 13, 2010 from Doulis to the Investor Witnesses, copying Panchuk.

[60] In a letter dated January 21, 2011 (the "**January 21, 2011 letter**"), to Masci, Doulis writes:

> You ask for certain documents that you believe are in my possession. With regards to Liberty Consulting you should be aware that I am not
>
> 1) An employee of Liberty Consulting
>
> 2) A shareholder of Liberty Consulting
>
> 3) A director of Liberty Consulting
>
> and cannot therefore have any of the documents you request. For any documents that you may require of Liberty please consult the managing director.
>
> […]
>
> As you may know I am in a dispute with the Canadian Revenue Agency over an amount owing to me. I therefore refuse to pay them until I have been fully reimbursed; they would like to seize my assets including any funds on deposit without paying their debt to me. I therefore have no bank accounts anywhere or any assets in Canada …
>
> You asked that I provide you with documents regarding Minotaur Capital. Again I have no positions.
>
> […]
>
> The O.S.C. will not be able to prove that I am an "advisor" as I have never given investment advice since leaving the investment industry in 1990. Therefore it will have to ignore the evidence and act to decree me as being something, either a dealer or advisor …
>
> (Exhibit S69 – Volume 2, Tab 27)

[61] In a letter to Chambers dated September 17, 2009 (Exhibit S57 – Volume 1C, Tab Z, Tab JJ, p. 334), Doulis writes:

> My activities do not require me to be registered with the O.S.C. and forcing me to register would be harmful to the interests of investors.
>
> […]

> Seeing as I am not a 'portfolio manager' nor an 'advisor' and I am receiving no remuneration (refer to the recording of our conversation and as well carefully read the power of attorney forms signed by the individuals you refer to) your office has no discretion over me and my private affairs.
>
> […]
>
> My opinion is that I should not be registered in Ontario under the Act because I am not a portfolio manager or investment advisor, I am an attorney acting for individuals. I would suggest that my qualifications and past portfolio performance would indicate that I am over qualified to be registered as either.
>
> […]
>
> There would be no advantage to me or investors to be registered and there would in fact be a disadvantage as the costs to register me and maintain that, would have to [*sic*] borne by the investors.
>
> […]
>
> The result of demanding that I be registered would be to deprive some elderly ladies of diligent oversight of their investments forcing them to revert to having their funds mismanaged by incompetent registered representatives and portfolio managers from whom they have fled…
>
> […]
>
> … forcing me to register with the O.S.C. would be against the interests of the people you have been communicating with …
>
> (Exhibit S69 – Volume 2, Tab 27)

[62] In a letter dated January 28, 2011 (the "**January 28, 2014 Letter**"), on the letterhead of Doulis to Fallone, Doulis writes:

> As you state, I am acting for a number of individuals as an 'attorney'. I have signed forms admitting this. As an attorney I instruct brokers to buy and sell shares for my clients. They are my clients because as a result of my background I would be considered a 'professional person' in the context of the definition of 'client'. I do not discuss beforehand with the clients involved, the securities I am going to negotiate. In other words I 'act', I do not 'advise' as my clients have no knowledge of which securities are being negotiated on their behalf until their contracts arrive through the mail.
>
> […]
>
> Let me make is [*sic*] perfectly clear. I am an attorney not an adviser as I **act** I do not **advise**. The Act has nothing to say about attorneys. Therefore kindly desist from prying into my personal and business matters.
>
> (Exhibit 72 – Volume 2, Tab 30)

[63] In a letter dated November 11, 2010 on the letterhead of Doulis to Feasby (the "**November 11, 2010 Letter**") which was appended to an email to Feasby from Doulis, the same day, Doulis writes:

> The Clients did not buy or sell securities.
>
> […]
>
> …I have no bank account and that one is necessary to cash a cheque.
>
> […]
>
> When the Commission questioned me I responded on the basis of its jurisdiction and in keeping with the laws of the Turks and Caicos Islands under which I am obligated to not discuss the business matters of corporations established in that country.
>
> […]

> The Commission asked what I did for Liberty in Canada, (see question 157 through 186 which are all around the events in Canada) I told them all of what I did for Liberty in Canada as its question implied. You made the statement "you were at the time managing the investments of Clients on behalf of Liberty" and that I managed Liberty's portfolio. Liberty does not manage money. I do. I am not an employee of Liberty and therefore cannot work on its behalf.
>
> […]
>
> (ii) No-one has been sent invoices charging for my *advising services* as I am not an adviser … I stand by that today and will continue to stand by that as I do not advise anyone, anywhere at any time. Therefore I cannot charge for advising services. Liberty is not in the business of advising clients on the matters of investments.
>
> […]
>
> You cannot provide a cheque made payable to me from 2006 (upon my return to Canada) and endorsed by me as I do not have a bank account can only be described as ridiculous [*sic*]. I admitted that I received mail for and instructed Liberty's client to send their mail through me to Liberty. There is a very valid reason for this as mail service to the Company's offices is erratic at the best, therefore I courier everything to them. I stand by my statement.
>
> […]
>
> (iv) I am not a director, officer, shareholder or employee of Liberty Consulting. I receive a yearly retainer from that company … I was asked if I knew how much Liberty collected from clients. I cannot know that as I do not see Liberty's books. Liberty may provide other services than just portfolio measurement to its clients I can't know that.
>
> […]
>
> (v) From the year 2006 I have received no remuneration from anyone in Canada. Any of Liberty's funds received by me were sent to Liberty … In making your allegations, you should be aware that I do not have a bank account therefore I cannot cash a cheque … Let me make it perfectly clear. I do not charge for my services. I receive a flat fee retainer from Liberty irrespective of their income in Canada.
>
> […]
>
> I formed [*sic*] Brian Collins Toombs (who was conducting an illegal investigation into my affairs under IIROC's file 1245/nov 08/Liberty Consulting-Alex Doulis) and your Ms Joan Chambers who colluded with him, to not rely on the testimony, as you have, of elderly women. These ladies do not know the difference between an attorney and an adviser or a bond and broomstick and cannot validate your conclusions as they know nothing of the investment business which is why they depend on me. Any testimony of there [*sic*] is irrelevant and probably lead or coerced by the Commission's investigator.
>
> (Exhibit 67 – Volume 2, Tab 25 and Exhibit 68 – Volume 2, Tab 26)

[64] In a letter dated July 28, 2009, to Peggy Dowdall-Logie Executive Director of the Commission, signed by Doulis (the "**July 28, 2009 Letter**"), Doulis writes:

> I am not now a registrant under the Ontario Securities Act.
>
> […]
>
> My reason for asking Ms Chambers to call was that I had received messages from ladies, whose accounts I have power of attorney over, that they were being called on numerous occasions by Ms Chambers and Mr. Brian Connell-Toombs. My concern was that these financially unsophisticated and aged ladies were being annoyed and personal questions were being asked about me.

The Phone Interview

[65] Staff also tendered through Anderson, excerpts of statements Doulis made in the recorded Phone Interview, with respect to bank accounts, Liberty, advising, remuneration, and soliciting and referrals of clients.

[66] With respect to bank accounts, Doulis stated:

> I have no brokerage account. I have no bank accounts. I have no financial attachments to Canada whatsoever.
>
> ... I have no connection with any brokerage firm whatsoever." (Transcript, July 15, 2009, Phone Interview, p. 10, 1ines 15-16.)

[67] With respect to Liberty, Doulis stated:

> Q. And who is Liberty Consulting?
>
> Doulis: Liberty Consulting is a company which exists in the Turks and Caicos ..." (Transcript, July 15, 2009, Phone Interview, p. 7, 1ines 6-8.)
>
> […]
>
> Q. What is your association with Liberty Consulting?
>
> Doulis: Liberty Consulting pays me a retainer to advise them on the state of Canadian capital markets;" (Transcript, July 15, 2009, Phone Interview p. 7, lines 20-22.)

[68] With respect to securities advising activity, Doulis stated:

> Doulis; I provide no services whatsoever. What happens is people of my acquaintance come to me. They approach me and ask me if I would act as power of attorney on their accounts.
>
> Q. How would they know to approach you?
>
> Doulis: By virtue of the fact that I've written a book called *Lost on Bay Street, The Bond's Revenge, Tackling the Taxman, Take Your Money and Run and My Blue Haven.* (Transcript, July 15, 2009, Phone Interview, p. 6, 1ines 12-20)
>
> […]
>
> I have contacted Elisa Baker on behalf of a client of mine who I manage her account..." (Transcript, July 15, 2009, Phone Interview, p. 10, 1ine 24)
>
> […]
>
> ... What happens is people call me, ask me to take over the power of attorney on their accounts. I do that and I call Elisa Baker and I place orders. (Transcript, July 15, 2009, Phone Interview, p. 15, lines 13-16)
>
> […]
>
> Q. And when you've been negotiating with Desjardins with respect to this, what are the, what are the terms and conditions that you've agreed to?
>
> Doulis: I agree to providing the best, the lowest possible commission that the firm will accept with regard to my clients. I demand the lowest possible spread on bond prices. I demand that the broker be willing to accept delivery against payment from other brokers when they cannot provide the securities I want. I demand that I have the maximum position in any underwriting the firm may undertake.
>
> Q. And you've indicate [*sic*] you've gotten —

Doulis: These are – let me put in on the record. These are benefits not for me, not for Desjardins [Securities] but for the client. (Transcript, July 15, 2009, Phone Interview, p. 17, lines 4-17)

[69] With respect to remuneration and payment of services, the following exchange occurred between Doulis and Staff:

Q. And do these Individuals who make use of your services reimburse you?

Doulis: They do not pay me a dime.

Q. Do they pay Liberty Consulting?

Doulis: They pay Liberty Consulting for a review of their portfolios.

Q. Do they pay for any ongoing services?

Doulis: There is not an ongoing service. There is an annual review of the portfolio carried about by Liberty Consulting. (Transcript, July 15, 2009, Phone Interview, p. 6, lines 21-29)

[…]

Q. And what is it, the remuneration that Liberty Consulting receives for carrying out the review of the portfolio?

Doulis: I don't know. You'll have to discuss that with Liberty Consulting. (Transcript, July 15, 2009, Phone Interview, p. 7, lines 1-5)

[…]

Q. So if I understand it correctly, the – [Investor Four], using [Investor Four] as an example, she is paying Liberty Consulting. Is that correct?

Doulis: She has paid nobody. (Transcript, July 15, 2009, Phone Interview, p. 7, lines 23-26)

[…]

Q. When you say you don't receive remuneration is that directly or indirectly?

Doulis: Directly and indirectly. (Transcript, July 15, 2009, Phone Interview, p. 11, lines 28-30)

[…]

Q. But in your case with [Investor Four], [Investor One] and [Investor Two], which are the three names you mentioned, are you charging any fees on any of these accounts?

Doulis: Let me be perfectly clear. I have received no remuneration whatsoever …

Q. So your role …

Doulis: … on any account over which I have power of attorney. (Transcript, July 15, 2009, Phone Interview, p. 18, line 29; p. 19, line 5)

[70] With respect to solicitation and referrals of Clients, Doulis stated:

Let me say, I have never solicited anybody to manage, look after, look into, review or in any way interfere with their investment account, unless of course you consider writing the book, *The Bond's Revenge*. (Transcript, July 15, 2009, Phone Interview, p. 11, lines 24-27)

[…]

... I do not advertise. I do not solicit. I do not seek ... (Transcript, July 15, 2009, Phone Interview, p. 19, line 27)

Doulis Correspondence with Desjardins Securities

[71] Staff also tendered through Anderson, correspondence between Doulis and Desjardin Securities that was obtained during the Investigation where Doulis identified his activities with the Client Accounts at Desjardin Securities. By letter dated September 15, 2008 (the "**September 15, 2008 Letter**"), from Doulis, on the letterhead of Liberty, to senior vice-president of Desjardins Securities, Doulis, referring to himself as an account manager, writes: "I have the pleasure of managing a few million dollars of investor securities held by your firm ...". (Transcript, February 4, 2013, p. 10, lines 18-22)

[72] In another letter dated November 2, 2008 (the "**November 2, 2008 Letter**") to Desjardins Securities, Doulis reiterated that he was managing accounts and wrote that he did not want further questions asked about him, "my clients or any one [*sic*] or anything associated with me". In a third letter dated November 20, 2008 (the "**November 15, 2008 Letter**") Doulis explains that he is in a position to direct accounts to Desjardins Securities and that he can move away million dollar accounts from Desjardins Securities. (Exhibit S31 – Volume 1D, Tab 1)

[73] Doulis wrote a letter dated November 2, 2008 to Mr. Yves Neron, Senior Vice President of Desjardins Securities, on Doulis' personal letterhead stating:

> I wrote you on September 15, last, posing five questions regarding a request for my photo identification by your firm. So far your employees have, through their enquiries, determined that I do have power of attorney over a number of accounts held at Desjardins Securities, I am competent to manage those accounts (irrespective that my letter was signed showing my C.F.A. designation and any such inquiries therefore fatuous) and that my credentials would allow me to be appointed managing director of your firm. However none of their enquiries [sic] will serve to answer my question.
>
> My questions to you remain. To those questions I will add, when will your employees stop making enquiries [*sic*] about me and the private matters surrounding me and provide me the answer to the questions posed to you? There would seem to be a matter of core competency on the part of your employees when choosing to ask about me rather than answer the question posed to them.
>
> Let me make It [*sic*] perfectly clear that I do not want anymore [*sic*] questions asked about me, my clients or any one [*sic*] or anything associated with me.
>
> […]
>
> […]
>
> I am currently negotiating a $2.6 million Helios or annuity contract with your Ms. Carol Isaacs and considering bringing a $1 million RRSP to your firm. Do you believe it to be prudent to continue those pursuits if I cannot trust the supplier of those services to answer simple questions? Would it be prudent to bring more custom [*sic*] to a firm whose employees pride themselves on inquiring into my private affairs?
>
> (Transcript, February 7, 2013, Testimony of Doulis, pp. 305-307)

[74] By letter dated November 17, 2008, Diane Lamothe, Manager of Compliance of Desjardins Securities advised Doulis of the following, after having reviewed his letters dated September 12 and November 2, 2008:

> As for your letter dated November 2, 2008, your competencies to manage the concerned accounts were never questioned but, as you must know, the first rule in the securities industry is 'Know your Client'.
>
> Consequently, we were justified to ask as many questions we deemed necessary in order to achieve this goal.
>
> It seems our queries were not in vain, since we understand from your last correspondence that you are managing client accounts without necessarily having the proper licences.
>
> Consequently, we wish to inform you that we have referred the matter to the Ontario Securities Commission for their review and decision.
>
> We have informed our clients of these necessary measures taken to ensure their protection and compliance with current regulations.
>
> (Transcript, February 7, 2013, Testimony of Doulis, pp. 306-307, 310-311)

[75] In a letter dated January 21, 2011, on the letterhead of Doulis to Ms. Monique F. Leroux ("**Leroux**") at Desjardins Securities, Doulis writes:

> In the month of March somewhere between $15 million and $17 million of assets left Desjardins Securities at the demand of Mr. Sylvan Perreault. These accounts were under the administration of Mr. E. Milewski and had assigned to me the power of attorney to trade the accounts. …
>
> All of the affected accounts left to join other firms so as to continue to have the benefit of my investment performance (the longest account shows 40% average annual increase or 12% compounded annually over 20 years).
>
> (Exhibit S71 – Volume 2, Tab 29)

Admissions and Statements of Doulis in his Compelled Examination

[76] Staff also tendered through Anderson, the transcripts of the Compelled Examination of Doulis (the "**Compelled Examination Transcripts**"). During the Compelled Examination of Doulis, Doulis admitted that he "perfectly" understood that he had to answer Staff's questions "accurately and truthfully". During the Compelled Examination of Doulis, Doulis submitted that his last known address was Sorrento Road, in Dublin, Ireland and that he "did not rent or own a property anywhere". Doulis also stated that Staff could "reach [him] at 160 Frederick Street" which was an apartment owned by Minotaur Capital. Doulis stated that he was "not a director, officer, employee or in any way connected with Minotaur Capital" and identified Sally Doulis as the director of Minotaur Capital. During the Compelled Examination of Doulis, Doulis refused to state the name of his child, however, he stated that he did not have a relative that was registered with the Commission, nor was he aware that any relative of his was ever registered with the Commission.

[77] In an exchange between Staff and Doulis in the Compelled Examination of Doulis, about where he was working and for whom, Doulis stated the following:

> Doulis: I am a boulevardier.
>
> Q. A boulevardier?
>
> Doulis. Yes.
>
> Q. What do you do?
>
> Doulis. Lunch.
>
> Q: How do you make income?
>
> Doulis: How do I make income?
>
> Q: Yes.
>
> Doulis: I live off of the generosity of my friends and family.
>
> Q: So you have no other income but income from your friends and family?
>
> Doulis: I have a retainer which is paid to me by Liberty Consulting.
>
> (Transcript, July 13, 2010, Compelled Examination of Doulis, p. 11, lines 1-25; p. 12. 1ine 1; Exhibit S16 – Volume 1B, Tab K 1 & 2)

Liberty

[78] The Compelled Examination Transcripts show that Doulis stated that Liberty is a "Turks and Caicos Corporation of whom the director is Mr. Shaun Cairns … Castletown, Isle of Man." Doulis stated that he represented Liberty "as their agent" for which he receives a "retainer". Doulis also testified that he has represented Liberty since "97/98" and that he is paid twelve thousand dollars ($12,000) on the 2nd of January annually "to provide services to Liberty Consulting in Canada."

[79] Doulis stated that Liberty was incorporated in the Turks and Caicos Island and that he knew this because he sent his "reports to the Turks and Caicos". Doulis testified that he did not know about the nature of Liberty's business or who incorporated the company. Doulis stated that there is no written agreement that describes his relationship with Liberty, but that

there is an oral agreement he made with either "Zammit," the previous director of Liberty "back in the 90s", or a woman, whose name he could not remember, who was a representative of Granite Corp. Doulis identified Granite Corp as a corporation that was acting as director of Liberty.

[80] During the Compelled Examination of Doulis, Doulis stated that he did not own a bank account in Canada and that he did not own "assets anywhere in the world." When he received the $12,000 annually from Liberty in January, it came via "a number of ways: bank draft, money order, sometimes in cash". Doulis stated that he would cash the bank drafts and money orders from Liberty at the bank they were called upon including the Royal Bank, CIBC, Bank of Montreal or HSBC.

Doulis' Role with Liberty

[81] Doulis stated that he maintains Liberty's representation in North America, and provided Liberty with a maximum of ten hours a month, beyond which he would bill them for a hundred dollars an hour. Doulis testified that Liberty is a "very quiet corporation" that "hardly" did anything. Doulis stated that there are no other representatives of Liberty in Canada and he is the sole representative in North America.

[82] Doulis stated that his role with Liberty is to pass on information about setting up an offshore account, mailings, collecting fees when they have fees due to them, and writing comments on "how the laws are changing with regard to using the offshore by Canadians, recent tax changes, [and] current methods being used by other Canadian firms to develop offshore businesses". He also stated that Liberty sends him bulk mail to mail out, but that he does not read the mail, he "just get[s] envelops". Doulis stated that he also sends emails to Liberty but that he does not keep a copy of those emails.

[83] Doulis also stated that he will meet with Liberty clients and has met with "dozens, hundreds, thousands … over the years". Doulis testified that he could not remember the number of clients that he met with over the years "going back to a situation that started sometime in the "90s," including "hundreds" of Canadian clients. Doulis stated that once a client opens up an account with Liberty, he has no more contact with that client. (Transcript, July 13, 2010, Compelled Examination of Doulis, p. 29, lines 14-20, p. 30, lines 11-16)

The Power of Attorney

[84] With respect to the POAs over a number of individuals, Doulis stated: "I have a level of power of attorney which allows me to make trading transaction for the account". Doulis further stated that "I do not have access to the assets themselves. It was set up specifically for that purpose so that I could never abscond with a client's funds".

[85] Doulis stated that he obtains the power of attorney from the brokers, and the broker encourages the Powers of Attorney:

> …You have just lost 50 percent of your portfolio dealing with [brokerage firm]. You say, oh, my God, this is appalling. That man has done 47 trades in my account. I'm 68 years old, arthritic and I don't buy green bananas, and this man has bought me Best Buy, Shoppers. I should be in Province of Ontarios. How can I get past this problem with this man who wants to turn my account? Ah, I remember, my old friend Alex Doulis. He was a good friend of my husband's. They were competitors in the investment business. I'll call Alex. Alex, would you please manage my account? I say, I don't manage but I'll act as attorney on your account. How can I do that, Alex? You go to your broker, ask him for a Power of Attorney form. I will come into your broker's office and sign it. If you appoint me as attorney, I will sign my acceptance in front of the broker.
>
> (Transcript, July 13, 2010, Compelled Examination of Doulis, p. 36, line 18; p. 38, line 2; Exhibit S16 – Volume 1B, Tab K 1 & 2)

[86] He further stated that "I only have power of attorney on the account. It is not my account. It is not my real client. I am the attorney".

Doulis' Activities in the Client Accounts

[87] During the Compelled Examination of Doulis, Doulis confirmed that the power of attorney gave him the authority to do the trading on the client account and that he knew what to trade because he was "a top-ranked mining analyst for five years in this country". Doulis also stated, during the questioning by Staff, that:

> Doulis: I am a financial analyst. I'm one of the best financial analysts in Canada. It's not that hard.

> Q: So you analyze what you have to buy and sell?
>
> Doulis: Not sell, what I have to buy.
>
> Q: Trade?
>
> Doulis: What I have to buy. And let me give you the formula: high yield with lots of assets backing the security so that if the company does miss an interest payment, there are more than enough assets to cover the bond holder.
>
> (Transcript, July 13, 2010, Compelled Examination of Doulis, p. 38, lines 14-25; Exhibit S16 – Volume 1B, Tab K 1 & 2)

[88] Doulis stated that he does not inform the client that he is going to buy a particular security, but that "the client only finds out that he or she, most often she, bought a security when a contract falls through her mail slot". Doulis stated that he does not phone clients because they have given him power of attorney over the account to do as he believes is best. Doulis states: "they don't want to hear from me. They would be appalled to hear from me".

[89] Doulis admitted that he does not go over client's objectives, but that his clients' objectives are what he believes is best for them. He also does not go over any Know Your Client (KYC) forms with Clients, but conducts analysis and risk assessment for the Client. Doulis stated that he is buying securities for clients, but he is not getting paid for it. He is doing it for free. Clients do not pay for the services he provides to them as power of attorney and he is not aware of whether they pay anybody else. Doulis stated that he incurs minimal expenses providing these services for clients. His costs include the internet, which is minimal.

[90] Doulis stated that he does not send an invoice to Clients, and he did not know whether anyone sent an invoice to a client. Doulis also stated that he did receive a cheque from a client, sometime between "95" and 2005, on one account, but that the client had asked Doulis to send the cheque to her account. Other than this situation, Clients did not send Doulis cheques for any other purpose. Doulis also stated that he did not know whether his Clients were aware of Liberty.

[91] In the Compelled Examination of Doulis, Doulis stated:

> I have never given financial advice or investment advice to anybody anywhere at any time since the year 1990, and I am using the term 'financial advice' and 'investment advice' as defined in the Ontario Securities Act". Doulis further stated: "I have never provided investment advice or discussed investment matters as defined in the Ontario Securities Act with anybody in Canada for the last 25 years.
>
> (Transcript, July 13, 2010, Compelled Examination of Doulis, p. 50 lines 12-16; Exhibit S16 – Volume 1B, Tab K 1 & 2)

4. Objection to Anderson's Evidence

[92] Doulis objected to Staff's reliance on the testimony of Anderson, and stated his intention to call Masci, who was the lead investigator in the Investigation, to testify on his behalf. Staff advised that Masci was not available to testify and that he would not be called by Staff to testify. Doulis did not call Masci.

[93] I noted the objection by Doulis and overruled it pursuant to the statute, since relevant hearsay evidence is entirely admissible.

[94] Hearsay evidence is admissible in administrative proceedings before the Commission, pursuant to subsection 15(1) of the *Statutory Powers Procedure Act*, RSO 1990, c S.22 as amended (the "**SPPA**"), which states:

> 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.

[95] The Commission's approach to hearsay evidence was summarized in *Re Sunwide Finance Inc.* (2009), 32 OSCB 4671 at para. 22, in the following statement:

> Although hearsay evidence is admissible under the SPPA, the weight to be accorded to such evidence must be determined by the panel. Care must be taken to avoid placing undue reliance on uncorroborated evidence that lacks sufficient indicia of reliability.
>
> (*Starson v. Swayze*, [2003] 1 S.C.R. 722 at para. 115)

[96] Although it is generally preferable for Staff to call investigation evidence from the lead investigator and any other investigator who has direct evidence in any matter, this may sometimes be impractical. In this case, I am not satisfied that Doulis is prejudiced by Masci's unavailability because Staff's case relies to a great degree on documentary evidence that speaks for itself, including documents generated by Doulis and the Investor Witnesses. I heard the differing interpretations of those documents given by Staff and Doulis, which were fully addressed in the evidence and submissions.

[97] Doulis began to cross-examine Anderson on February 11 and 13, 2013. When the Merits Hearing resumed on April 3, 2013, Doulis resumed his cross-examination of Anderson with the assistance of John Eversley ("**Eversley**"), a lawyer who had represented Doulis at the Temporary Order Hearing. Eversley stated that he had a limited scope retainer in the matter from Doulis. The scope of Eversley's engagement was limited to the role of legal adviser or resource to Doulis. This included being available to answer any legal questions or provide advice with respect to, for example, the admissibility of evidence or process how exhibits are marked. The limited scope retainer did not extend so far as to permit Eversley to act as counsel of record or to speak on record on behalf of Doulis. Apart from assisting with the cross-examination of Anderson, Eversley's only other role at the Merits Hearing was to ask Doulis questions during his examination in chief and during cross-examination.

5. Chambers

[98] Chambers is an investigator with the Commission, and had been for 33 years at the time of the Merits Hearing. Chambers became involved with the investigation of Doulis and Liberty when she was assigned to perform a case assessment in April 2009 until January 2010.

[99] Chambers testified that the case assessment commenced as a result of the Desjardins Complaint Letter. During the course of the case assessment, Chambers requested documents from Desjardins Securities, which they provided to the Commission on a voluntary basis, and from IIROC. Desjardins Securities was a member of IIROC. Chambers also spoke with certain Clients and conducted the Phone Interview.

6. Investor Witnesses

(a) Investor One

Relationship with Doulis and Desjardins Securities

[100] Investor One was a resident of Ontario during the Material Time and has known Doulis for over thirty years. She testified that Doulis began assisting her with her accounts since 1999. Investor One testified that she opened a brokerage account at Desjardins Securities where she completed and signed a "*New Client Application Form and Agreements*" (the "**New Client Form**") on January 23, 2003 with Milewski.

[101] Investor One testified that in her initial interview with Milewski, Doulis advised Milewski that Investor One's RRSP account would be for dealing with the investments and that Milewski's activity would not be required. (Transcript, February 4, 2013, Testimony of Investor One, p. 70, lines 5-8) On the New Client Form, Investor One identified her risk tolerance as "low" because of her age and this was the only instructions that she provided in respect of her account. Investor One stated that she did not complete a similar type of new client form with Doulis or Liberty. (Transcript, February 4, 2013, Testimony of Investor One, p. 65-66, p. 67, lines 18-22)

[102] Investor One testified that Doulis assisted her with her accounts by making investment in her portfolio at Desjardins Securities and the money increased. (Transcript, February 4, 2013, Testimony of Investor One, p. 55, lines 7-10) Investor One testified that she relied on the judgment of Doulis, with respect to her account. Investor One testified that, because she knew that Doulis "had been quite successful increasing his own money and those of his clients" she relied on him continuing to do so for her. (Transcript, February 4, 2013, Testimony of Investor One, p. 64, lines 1-14) She testified that Doulis did not call her to discuss a proposed trade or to inform her that he had executed a trade on her behalf. Investor One testified that she did not provide written instructions to Doulis with respect to the type of investment she wanted him to make on her behalf, but that that she found out about the trades from her statements. (Transcript, February 4, 2013, Testimony of Investor One, p. 64, lines 1-14) She stated that she rarely dealt with Milewski at Desjardins Securities, but dealt with Baker to obtain her account statements.

[103] At the Merits Hearing, Investor One identified a POA Form that she and Doulis had signed. Investor One acknowledged that the POA Form authorized Doulis to act as a power of attorney over her accounts at Desjardins Securities. She stated that she crossed out the section in the POA Form that permitted the "attorney" to make deposits, withdraw and transfer funds in the account. Investor One testified that "there have been a number of accounts in the newspaper of people who have taken funds from their clients for their own use and I didn't want that to happen, although, of course, I didn't suspect that Alex [Doulis] would, and then Alex [Doulis] also preferred that it should be stricken [*sic*] out".

[104] Investor One also testified that the POA Form included a direction that said "copies of all statements and contracts to care of 160 Frederick Street, number 203, Toronto" which she identified as the address where Doulis and his spouse resided when they are in Toronto.

[105] Investor One testified that she did not pay Doulis for the services he provided. She testified that in the first few years there was no payment. However, from 2005, she began to pay Liberty half of one percent of the value of the portfolio at the end of the year which amounted to approximately $4000 – $5000 annually. (Transcript, Testimony of Investor One, Vol. 1, p.58, lines 17-18)

Invoice from Liberty

[106] At the Merits Hearing, Investor One identified an invoice dated November 14, 2011 (the "**November 14, 2011 Invoice**") from Liberty addressed to her. The November 14, 2011 Invoice was for a service fee at 0.5 percent of the value of her portfolio for services that were provided in 2010, prorated in the amount of $3,681.00. Investor One identified these services as "an assessment of [her] portfolio" that Doulis had arranged. When questioned by Staff as to why the November 14, 2011 Invoice was prorated for a partial year, Investor One explained that it was because of the Temporary Order for which she felt "great umbrage".

[107] The November 14, 2011 Invoice directed Investor One to make payment through the Bank of Montreal to an account at the Royal Bank of Scotland in the name of Liberty. Investor One testified that she did not know who sent the November 14, 2011 Invoice from Liberty, but that Doulis had arranged for the portfolio assessment. Investor One testified that she knew that Liberty resides in the Turks and Caicos and she understood Doulis had some connection with it. Investor One testified that she understood that she paid Liberty for the appraisal of her portfolio.

[108] Investor One testified that she did not deal with Doulis through Liberty with the exception of his advising her to have the assessment. Investor One testified that she paid the invoice to Liberty and that she did not send a cheque, money order or wire transfer to Doulis personally. Investor One testified that she paid for the same service each year for three or four years. She also stated that the invoiced amounts varied based on the balance in her portfolio at the end of the year.

[109] At the Merits Hearing, Investor One identified and read the following statement from an undated letter that she submitted to the Commission, where she wrote:

> I have known Alex Doulis for more than thirty years. Throughout that period he has to my knowledge always behaved ethically and honestly. In 2002 he undertook at my request to monitor my investments. This arrangement has continued to this day in 2011. I am fully satisfied.
>
> Initially Alex [Doulis] maintained this stewardship gratis. Beginning in 2005 an annual payment of 0.5% of the total value was remitted to Liberty Consulting Corporation in the Turks and Caicos Islands. My portfolio has more than doubled despite the market slump in [2008].
>
> (Transcript, Testimony of Investor One, Volume 1, p. 84, lines 2-14 and 19-25, p. 85, lines 1-6)

[110] Investor One confirmed that, other than the reference to "2002" which should be "1999", everything that she wrote in the letter is correct and that she stood by the contents of the letter.

(b) Investor Two

Relationship with Doulis and Desjardins Securities

[111] Investor Two was a resident of Ontario during the Material Time and has known Doulis since 2003. Investor Two testified that the business relationship between Doulis and herself developed as a result of a conversation with Sally Doulis. Investor Two testified that she was looking for a financial adviser because she was not happy with where her investments were at that time. Investor Two testified that Sally Doulis mentioned to her that she "might want to talk to Alex [Doulis]". Investor Two testified that she spoke with Doulis, liked what she heard, "and that's how it started".

[112] Investor Two testified that she opened a margin account at Desjardins Securities and completed a form dated June 10, 2003 where she rated her investment knowledge and risk tolerance as "Good." Investor Two testified that she did not complete similar account opening documents or know your client documents with Doulis or Liberty, but there was a discussion of what would be appropriate. (Transcript, July 8, 2010, Testimony of Investor Two, pp. 124-144)

[113] Investor Two testified that Doulis provided advice on her portfolio at Desjardins Securities. She testified that Doulis instructed Desjardins Securities to make trades in her portfolio acting as her adviser, and Milewski and Baker executed those trades. She also provided authorization so that duplicate copies of her account documentation would be sent to Doulis. Investor Two indicated that without those documents, Doulis could not advise her.

[114] Investor Two testified that Milewski and Baker did not have an active role with her other than executing the trades because Doulis was her adviser. She only dealt with Milewski and Baker with respect to monthly withdrawals from her account which they organized.

[115] Investor Two testified that she signed a POA Form dated December 28, 2009 giving Doulis power of attorney over her account at Desjardins Securities. Investor Two was of the view that the POA Form was required for Doulis to advise Desjardins Securities about her investments. She also maintained that the POA Form authorized Doulis to give instructions to Desjardins Securities in case a reorganization notice is given for a company for which Investor Two held securities. Investor Two also stated that she was aware that the POA Form authorized Doulis, "without any restriction whatsoever" to make deposits, withdrawals and transfers funds to and for the account holder's exclusive benefit and also to deliver or receive securities in the exclusive name of the account holder.

[116] Investor Two testified that she did not discuss the trades made in her account with Doulis, or provide any written instructions as to what trades he should make. She also did not discuss the trades with Doulis in advance or after they were made.

Invoices from Liberty dated 2006 – 2009

[117] Investor Two testified that she received an invoice dated February 2, 2006 (the "**2006 Invoice**") from Doulis for $2,112 U.S which she identified at the Merits Hearing. The 2006 Invoice was for the services performed on her portfolio for the year 2005. The 2006 Invoice stated "[b]elow is Liberty's invoice for portfolio services and the wiring instructions". The invoice also stated "For payment to: Doulis".

[118] Investor Two testified that she understood the 2006 Invoice to be for the services of Doulis as her adviser, to instruct Desjardins Securities to make trades in her portfolio. The 2006 Invoice also included the following statement: "I would recommend that you transfer some securities into your RRSP to take advantage of the tax break that you will incur." Investor Two could not recall whether she acted on that advice.

[119] At the Merits Hearing, Investor Two also identified a series of invoices and emails including an invoice dated January 2, 2007 (the "**2007 Invoice**") which was on the same letterhead as the 2006 Invoice. The 2007 Invoice stated "for investment management services for the year 2006", which Investor Two testified was for the services performed on her portfolio for the year 2006. The 2007 Invoice stated: "[w]e would prefer to be paid in US funds which would equate to $2552 at a $0.855 exchange rate wire transferred to." The 2007 Invoice provided payment instructions and it indicates credit to an account at Standard Bank, Isle of Man, "[f]or Payment to: Doulis." Investor Two testified that the 2007 Invoice also included the following statement: "I am currently seeking new clients and any referrals would be appreciated." However, she did not refer any clients to Doulis as she did not have friends with a lot of money.

[120] Investor Two also identified two other invoices; (i) an invoice dated January 16, 2008 (the "**2008 Invoice**") which was for the investment management services of the year 2007; and (ii) an invoice dated February 18, 2009 (the "**2009 Invoice**") for investment management services for the year 2008.

[121] The 2008 Invoice directed Investor Two to forward payment to Doulis, in an account number at the Standard Bank in the Isle of Man. The 2008 Invoice stated that "[w]e regret the 0.8. percent decrease in the portfolio value, however this has been a difficult market environment. Thankfully although the capital value of the portfolio has been diminished its earning power has increased". It also stated: "[a]s you are aware we prefer to be paid in US dollars and based on today's exchange rate of .98 [percent] the amount due is US $2902" and was signed "Regards, Alex Doulis".

[122] The 2009 Invoice requested that Investor Two mail, to the Liberty Office, a "bank cheque (not personal) for CDN $2,313.37 payable to Liberty Consulting" for Investor Two's "portfolio oversight for the year".

Notice POA with Doulis Not Accepted at Desjardins

[123] Investor Two testified that she received a letter dated February 9, 2010 from Desjardins Securities, advising her that the POA authorizing Doulis to trade in her account on her behalf would not be accepted by Desjardin Securities after March 12, 2010. Investor Two testified that she did not continue her relationship with Desjardins Securities after receiving the letter. However, she continued to use Doulis' services at RBC Direct Investing, where she authorized Doulis with power of attorney over her accounts. (Transcript, February 4, 2013, Testimony of Investor Two, pp. 166-167) Investor Two stopped using Doulis' services to manage her investment after the Temporary Order was issued.

(c) Investor Three

Relationship with Doulis and Desjardins Securities

[124] Investor Three was a resident of Ontario during the Material Time. She met Doulis in February 2008 on the recommendation of a friend who had investments with Doulis and was very pleased. Investor Three testified that her friend introduced her to Doulis and their first meeting was exploratory in nature in terms of what she might do with her RRSP investments. As a follow up to their first meeting, Doulis introduced his services, by e-mail dated February, 21, 2008 (the "**February 21, 2008 Email**"), as follows:

> My modus operandi is to have the client move their RRSP account to a broker who will accept securities under a DAP (Delivery Against Payment) transaction because many brokers will not endeavour to find the bonds I want to put into accounts.

[125] Doulis also stated in the February 21, 2008 Email that:

> I will have trading discretion over the account, which means that I can only buy or sell securities in the account. I cannot add or remove assets. You will have on line access to the account and receive a monthly report as well as notice of any transaction in the account. For this I charge 0.5% per annum (one half of one percent) of the value of the portfolio at year end or $500, whichever is greater. You will seldom see a sale of securities as unlike a broker there is no advantage to me to 'churn' an account. I only manage.

[126] Investor Three testified that she signed a POA Form dated April 15, 2008 giving Doulis power of attorney over her account at Desjardins Securities. She stated that it was her understanding from Doulis, that when she signed the POA Form, Doulis would not have access to the funds and the ability to withdraw funds in her account, notwithstanding the fact that the POA Form stated the following:

> I authorize, without any restriction whatsoever, my attorney to make deposits, withdrawals and transfers of funds to/for the account holder exclusive benefit and also to deliver or receive securities in the exclusive name of the account holder, all of the above in relation with the management of my account. I also authorise my attorney to give instructions to DESJARDINS [Securities] given for a company for which I hold securities.
>
> I ratify in advance all decisions taken by my attorney on the basis of this authorisation (including all the transfers made by Desjardins Securities Inc.) And I assume full responsibility in connection with same.

[127] Investor Three testified that she did not remember the above paragraph in the POA Form.

[128] Investor Three transferred her RRSP account from Assante Capital Management to Desjardins Securities on the advice of Doulis, where Doulis bought and sold securities of, "whatever he felt was appropriate," in her account. Investor Three testified that she did not discuss purchases or sales of securities in her account with Doulis beforehand but learned of the transactions in her monthly statements. She also testified that she did not discuss an investment strategy with Doulis or provide written instructions in that respect. Investor Three testified that she did not instruct Desjardins to buy or sell any securities on her behalf and that no one at Desjardins Securities ever called her to discuss whether one of Doulis' transactions in her account was appropriate.

[129] Investor Three testified that she did not deal with anyone at Liberty other than Doulis.

[130] Investor Three testified that upon receiving a letter from Desjardins that they would no longer honour the POA she granted to Doulis on her account, she moved to BMO InvestorLine and entered into a similar arrangement with Doulis. (Transcript, February 7, 2013, Testimony of Investor Three, p. 273) Investor Three testified that "Doulis acted as attorney on [her] portfolio until he was no longer allowed to do so … by the Securities Commission."

Invoices from Liberty From 2009 – 2011

[131] Investor Three testified that she received an invoice for $379 dated February 26, 2009 for "a portfolio investment oversight fee paid to Liberty Consulting" for providing an assessment of what had occurred in her account during the year. Investor Three testified that this was the fee set out in the February 21, 2008 Email from Doulis and it was "0.5 percent per annum of the value of the portfolio at year end or $500, which ever is the greater". She acknowledged, however, that she understood the commentary on the invoice that was written in the first person, to be that of Doulis. She paid the invoice by cheque and identified the canceled cheque at the Merits Hearing.

[132] Investor Three testified that she could not reconcile where her understanding came from as to why she was paying Liberty since the February 21, 2008 Email did not mention Liberty. (Transcript, February 7, 2013, Testimony of Investor Three, pp. 248-249) When questioned by me at the conclusion of her testimony about the arrangement for payment described in the February 21, 2008 Email, Investor Three testified that she understood that agreement was with Doulis. However, she did not recall why she was paying a cheque to Liberty and she did not inquire as to why. She reiterated that it was her understanding that payment to Liberty was in reference to her portfolio and any activities within it, undertaken by Doulis who had POA to look after her portfolio. (Transcript, February 7, 2013, Testimony of Investor Three, pp. 280-282)

[133] Investor Three also identified an invoice from Liberty, dated February 16, 2011 in the amount of $1,193. (Exhibit S9 – Volume 1D, Tab 5, pp. 27-28) Investor Three testified that she understood the invoice to be from Doulis, at Liberty, for services provided in the year 2010. (Transcript, February 7, 2013, Testimony of Investor Three, p. 265) She also confirmed that she the invoice stated:

> Liberty is still accepting accounts at $500,000 or more and would be pleased should you be willing to send referrals …

Investor Three did not refer anyone to Doulis or Liberty.

[134] Investor Three testified that she successfully made payments requested in the invoices she received for the services provided in 2008, 2009 and 2010. Notwithstanding the fact that no invoice for 2009 was entered into evidence, Investor Three testified that she assumed that she received an invoice for 2009 as it "would be logical" that she did.

[135] On cross-examination, Investor Three testified that she did not mail a cheque to Doulis personally but to Liberty at the Liberty Office which she identified as the residence of Doulis. She testified that she understood there was "some sort of relationship" between Liberty and Doulis, but that she did not know what that relationship was.

(d) Investor Four

Relationship with Doulis and Desjardins Securities

[136] Investor Four is a resident of Ontario during the Material Time and has known Doulis for forty-three years at the time of the Merits Hearing. Investor Four and her deceased husband were friends of Doulis. Investor Four testified that Doulis was a close personal friend who she had known for many years and who had comforted her through a lot of bad times. Investor Four is also the Godmother of Christos Doulis. Investor Four has no investment expertise. She also did not like risk and had discussed her risk tolerance with Doulis.

[137] Investor Four testified that in 2008, after she lost her husband, she went to Doulis because she needed help and he was a friend. Investor Four had accounts with many companies and had "been shuffled ... when people merged, [or] people left, to the point that [she] didn't know where [she] was". Investor Four testified that Doulis reviewed her accounts that she held at another brokerage firm and advised her that there had been an exorbitant amount of trades executed in an account. Investor Four testified that, at that point, Doulis suggested that she go to Desjardins Securities and that was the impetus for transferring her account to Desjardins Securities.

[138] Investor Four testified that Doulis made the trading decisions in her account at Desjardins Securities and was her financial manager during the Material Time "strictly out of trust." Investor Four testified that she authorized Doulis to buy or sell securities in her account at Desjardins Securities. She also testified that Doulis had trading discretion over her account at Desjardins Securities and that she did not provide written instructions to Doulis with respect to what trades he should make, but she trusted him. Notwithstanding the fact that she trusted Doulis, Investor Four testified that she did not want Doulis to be able to withdraw funds from her brokerage account. (Transcript, April 3, 2013, Testimony of Investor Four, p. 74, line 6)

[139] Investor Four confirmed that duplicate copies of trade confirmations and statements from her account at Desjardins Securities were forwarded to Doulis for his assistance at 160 Frederick Street suite number 203. Investor Four identified 160 Frederick Street suite number 203 as the place where Doulis and his wife lived and testified that she had been there frequently.

Invoice from Liberty

[140] Investor Four testified that she received an invoice for portfolio services dated January 20, 2010 (the "**January 20, 2010 Invoice**") from Liberty in the amount of $26,913. (Exhibit S52 – Volume 1C, Tab GG, p. 299) The January 20, 2010 Invoice indicated a service fee at .50 percent of the ending balance in her account for service in 2009. Investor Four understood Liberty to be a company Doulis represented. Investor Four testified that she paid the January 20, 2010 Invoice as requested. She believed the January 20, 2010 Invoice to be for the trades executed on her account, by either Doulis and Liberty or Baker. Investor Four testified that she paid other fees to Desjardins Securities which were separate from the invoice that she received from Liberty. She testified that the fees that she paid to Desjardins Securities were deducted directly from her account. When questioned by me, Investor Four testified that she wrote a cheque of approximately $27,000 to Liberty for services Doulis performed for her. She did not know anything about Liberty.

[141] Investor Four testified that she had an agreement of 0.5 percent with Doulis and that he had trading discretion over her account. Investor Four could not explain why her account opening form at Desjardins Securities said that the attorney would receive no remuneration, because Doulis "was going to be paid 0.5 percent." (Transcript, April 3, 2013, Testimony of Investor Four, p. 50, lines 6-7)

(e) Summary of the Investor Evidence

[142] Each of the four Investor Witnesses testified that Doulis was their adviser, managed their respective Client Accounts through the POAs, and made decisions as to what to buy and sell in their respective Client Accounts. The relationship established between Doulis and each of the four Investor Witnesses was based on a long-time relationship with Doulis, except in the case of Investor Three, and based on trust. The four Investor Witnesses also confirmed that they each received an invoice from Liberty during the Material Time for an annual service fee of 0.5% of the value of their respective Client Accounts.

[143] Each of Investor One, Two, and Three testified that they received the following email from Doulis, dated 09/04/2009:

> Dear Client,
>
> […]
>
> Your investments are set up in a manner which allows you to have the seamless continuation of your investment objectives without the abysmal portfolio performance produced by mutual fund portfolio managers. Your assets are safe in that I have no access to them – only you do. It would seem that the Ontario Securities Commission is not satisfied with your investment performance or the manner in which your investments have been husbanded.
>
> If you are content with your relationship between you and your attorney then I would suggest that you inform the Ontario Securities Commission to not meddle in what is your private contract between you and me (your attorney) and to ignore any enquiries into your private affairs.
>
> Regards,
>
> Alex
>
> (Exhibit 78 – Volume 2, Tab 23)

B. Respondent Witnesses

1. Doulis

[144] Doulis testified that Liberty was a company established to facilitate incorporations and business in foreign jurisdictions. (Transcript of the Merits Hearing, April 4, 2013, p. 74) Doulis testified that he authored five books entitled "Take Your Money and Run", "My Blue Haven", "The Bonds Revenge", "Tackling the Tax Man" and "Lost on Bay Street". He testified that: "[t]he majority of the people who came to see me about offshore incorporation, I would say roughly 70 percent – and it's a number I've quoted before – do so for asset protection … and the other 30 percent for tax mitigation". (Transcript of the Merits Hearing, April 4, 2013, p. 75) Doulis testified that "when the books were written, people approached me and asked me about how they could execute what was described in the books." (Transcript of the Merits Hearing, April 4, 2013, p. 76)

[145] Doulis became a director in 2003. His personal role at Liberty was to direct Canadian business to the company and some American business as it arose from questions with regard to the use of the offshore. He also would pay for their courier bills, phone bills and rent bills in Canada and any other expenses they would incur. (Transcript of the Merits Hearing, April 4, 2013, p. 76)

[146] Doulis testified that he sold Liberty in 2005 and that Liberty is actually owned by the Paladin Trust, a Trust incorporated in the Turks and Caicos. All the shares of all the classes of Liberty were owned by the Paladin Trust. (Transcript of the Merits Hearing, April 4, 2013, p. 73) Doulis also testified that he was not the beneficiary of the Paladin Trust nor did he own the Paladin Trust. He also testified that he did not settle the Paladin Trust and he did not receive any benefits from the Paladin Trust. (Transcript of the Merits Hearing, April 4, 2013, p. 79-80)

[147] Doulis confirmed that he had full authority to buy and sell securities on Liberty Accounts at Capital International in the Isle of Man and had that authority at the time of the Merits Hearing. Doulis also confirmed that Liberty held bank accounts during the Material Time at FirstCarribbean Internationl Bank in the Turks and Caicos and that Doulis, Sally Doulis and Christos Doulis had authorization on those bank accounts.

[148] Doulis described the Clients as financially illiterate and stated that he had instructed them to get trading the authorities. Doulis testified that "being financially illiterate they would not have taken it upon themselves to provide something other than what I asked for". (Transcript of the Merits Hearing, April 4, 2013, p. 138) Doulis explained that he signed the document titled "special power of attorney" believing that the document was giving him the authority to trade and not giving him "special power of attorney" over the accounts. Doulis confirmed that he held special POA for all of the people and accounts listed in the evidence (Exhibit S35 – Volume 1C, Tab 11HH, p. 308) except for one individual. (Transcript of the Merits Hearing, April 4, 2013, pp. 136-137) He stated that he did not read any of the documents for the eleven accounts indicating that he had special POA authorizing him to act on behalf of the Clients listed in a letter dated February 9, 2010 from Desjardins Securities. (Transcript of the Merits Hearing, April 4, 2013, p. 137)

[149] Doulis explained that he did not believe he had been given a special power of attorney because he had advised the Clients to ask for a trading authority, notwithstanding that the documents he received eleven times said in bold caps "SPECIAL POWER OF ATTORNEY". (Transcript of the Merits Hearing, April 4, 2013, pp. 143-144) Doulis testified that he understood that:

> [a] trading authority only allows the holder of the designation to be able to execute securities in an account. A power of attorney is a legal designation which allows a person to have power over the entire assets designated under that power of attorney.

[150] He explained that the difference between a trading authority and a power of attorney was that the holder of the power of attorney has access to the assets; whereas, the trading authority has no access to the assets. (Transcript of the Merits Hearing, April 4, 2013, p. 45)

[151] Doulis stated that:

> I had asked Desjardins Securities to send trading authority forms when dealing with my clients. I was under the impression that Mr. Milewski and Ms. Baker were indeed sending trading authority forms and not powers of attorney.
>
> (Transcript of the Merits Hearing, April 4, 2013, p. 59)

[152] Doulis told staff that his Clients never provided him with any written instructions with respect to trading and testified that he believed he had trading authority on the account of at least eleven persons. (Transcript of the Merits Hearing, April 4, 2013, p. 135)

[153] Doulis submitted that his mandate from the "ladies" (as he referred to the Investor Witnesses) was to act for them and the he had decided that it would be easier for them and in their interest to know to what extent over a year they had profited or lost in their accounts. (Transcript of the Merits Hearing, April 4, 2013, p. 71)

[154] Doulis testified that he did not receive, directly or indirectly, remuneration from Liberty except the $12,000 annual retainer to represent Liberty in Canada. On cross examination by Feasby, Doulis stated that the allegation by Staff, that he required payment from the Clients as compensation for his services based on a percentage of the year-end value of their assets under management, were not true. Doulis stated that: "there was no requirement to pay Liberty" and "there was no requirement for anyone to pay me". Doulis also testified that "whether or not there was a requirement to pay, I do not know".

[155] Doulis testified that he had an opportunity to review the transcripts of his various statements in evidence, including the Transcripts of the Temporary Order Hearing, the Compelled Interview of Doulis and the Phone Interview (collectively, the "**Transcript Evidence**") and testified that he made all the statements in the Transcript Evidence and was doing his best to be truthful in his statements. Doulis also acknowledged that he wrote all of the pieces of correspondence in the Merits Hearing materials including the many letters and emails bearing his name and or his email address that were marked as exhibits including the Doulis Correspondence and his correspondence with Desjardins Securities. Doulis also acknowledged that he prepared and sent the invoices that were entered into evidence on behalf of Liberty. (Transcript of the Merits Hearing, April 5, 2013, p. 29)

Doulis Charter Arguments

[156] Doulis submitted that Staff's conduct in this matter violated his rights under section 11 of the *Canadian Charter of Rights and Freedoms, Part I of the Constitution Act, 1982, being Schedule B to the Canada Act 1982 (UK)*, 1982, c 11. (the "**Charter**"). Specifically, Doulis submitted that he had a right (i) to be tried in a reasonable amount of time pursuant to section 11(b) of the Charter and that he was denied this right, and (ii) not to be compelled to be a witness in a proceeding against him under section 11(c) of the Charter. Doulis submitted that by not calling Masci as a witness, Staff placed him in a position that the only way that he was allowed to enter his evidence was to testify in the Merits Hearing which is contrary to the principles protected by the Charter.

[157] Doulis relies on the case of *Regina v. Morin* [1992] 1 S.C.R. 771 to support his position that his right to be tried in a reasonable amount of time pursuant to section 11(b) of the Charter was denied.

Staff Submissions on the Charter Arguments

[158] Staff, relying on *R. v. Wigglesworth* (1987) 2 SCR 54, submitted that section 11 of the Charter is not applicable in this regulatory proceeding and the Charter arguments raised by Doulis should not be addressed. Staff further submitted that the activities of the Commission are not punitive.

The Law and Analysis

[159] In *R. v. Wigglesworth*, the Supreme Court of Canada held that:

> The rights guaranteed by s. 11 of the Charter are available to persons prosecuted by the State for public offences involving punitive sanctions, i.e., criminal, quasi-criminal and regulatory offences, either federally or provincially enacted.
>
> (*R. v. Wigglesworth* at para. 16)

The onus is on Doulis to demonstrate the regulatory offence is punitive in nature.

[160] In *R. v. Morin*, the Supreme Court of Canada held that:

> An accused person may suffer little or no prejudice as a consequence of a delay beyond the expected and normal. Indeed, an accused may welcome the delay. On the other hand, an accused person can suffer great prejudice because of the delay. Where the accused suffers little or no prejudice, it is clear that the consistently important interest of bringing those charged with criminal offences to trial outweighs the accused's and society's interest in obtaining a stay of proceedings on account of delay, because the consequences of the delay are not great. On the other hand, where the accused has suffered clear prejudice which cannot be otherwise remedied, the balance may tip in the accused's favour and justice may require a stay.
>
> (R. *v. Morin* at para. 87)

The onus on Doulis to prove that prejudice has occurred.

[161] I find that administrative proceedings of this nature are not captured by section 11 of the Charter. The penalties sought by Staff are not penal in nature. I also find delays in proceedings of an administrative nature are not the "offence" intended to be captured by section 11 of the Charter.

[162] Doulis did not provide any submissions to demonstrate that this matter is punitive in nature and that prejudice has occurred. Doulis submitted that *R. v. Wigglesworth* is applicable to criminal and administrative proceedings, where there is a financial sanction. If he were required to pay a fine, the fine would be punishment and that is punitive. However, I do not accept this position from Doulis. A fine, is an administrative penalty, which is fundamentally regulatory and not penal.

[163] My findings are supported by previous decisions of the Commission. In *Re Rowan* (2010), 33 OSCB 91 the Commission held that a hearing under section 127 of the Act including a hearing in which an administrative penalty is sought, is fundamentally regulatory and it does not engage the Charter. The Merits Hearing is a hearing under section 127 of the Act.

[164] In *Re Boock* (2010), 33 OSCB 1589, ("***Re Boock*"**) the Commission also held that section 11 does not apply to a Commission proceeding and "the fact that a financial penalty may be imposed on a respondent does not make a Commission administrative proceeding under s.127 of the Act criminal or penal in nature" (*Re Boock*, para 99)

[165] In *Re Cornwall* (2008), 31 OSCB 4840 ("***Re Cornwall***") which is analogous to this matter, the respondents took a similar position to Doulis, that their rights under section 11 of the charter were violated due to the delay by Commission staff. The Panel in *Re Cornwall*, relying on *R. v. Wigglesworth*, held that delays in proceedings of an administrative nature are not the "offence" intended to be captured by section 11 of the Charter.

2. Christos Doulis

[166] Christos Doulis ("**Christos Doulis**") is the son of Doulis. At the time of the Merits Hearing, Christos Doulis was 41 years old and employed as a mining analyst with Stonecap Securities Inc. Christos Doulis holds a Bachelor's Degree in economics from Queen's University and is registered under the Act.

[167] Christos Doulis testified that he was interviewed by Masci and others at the Commission (the "**Compelled Interview of C. Doulis**") pursuant to an order issued under section 11 of the Act dated February 22, 2010 (the ("**Section 11 Order**"). Christos Doulis testified that the Compelled Interview of C. Doulis focused on his relationship with Liberty and whether he could provide access to financial records. He testified that he was asked to sign a document relating to Liberty and to provide access to the records of Liberty.

[168] Upon cross examination by Feasby, Christos Doulis was asked to review the transcript of the Compelled Interview of C. Doulis (the "**C. Doulis Compelled Interview Transcripts**"). The C. Doulis Compelled Interview Transcripts showed that Christos Doulis had signing authority on the accounts of Liberty. The C. Doulis Compelled Interview Transcripts also showed that Masci had only asked Christos Doulis to produce certain documents and of which there was only one relevant document that he did not have access to. Christos Doulis admitted upon cross examination by Feasby that the question of whether or not he could provide access to Liberty's accounts was not addressed in the Compelled Interview of C. Doulis.

[169] Christos Doulis also admitted upon cross examination that after he indicated that he had no such documents, there was no further discussion of the question from Masci as to whether or not he could produce documents of Liberty and that there was no request in the C. Doulis Compelled Interview Transcripts for him to provide staff with the authority to obtain documents.

[170] Christos Doulis, stated upon cross examination by Feasby that at the time he attended the Compelled Interview of C. Doulis he was completely unaware that he was a signing authority on the accounts of Liberty and that it was during the course of the Compelled Interview of C. Doulis that he became aware that he was the protector of the Paladin Trust. He also stated that it was also during the Compelled Interview of C. Doulis that he also became aware that he had a mandate to trade, buy and sell securities, in the accounts of Liberty at Capital International in the Isle of Man. Notwithstanding this testimony, Christos Doulis stated that the signing authority does not have authorization to provide access to financial documentation relating to Liberty and he knew that because that was the business of an officer or director of the company and that signing authority merely has the ability to issue cheques from the account. Christos Doulis stated that he decided not to sign the document.

[171] Christos Doulis stated that he had indicated to Staff in the Compelled Interview of C. Doulis that he may have attained the status of signing authority, and a mandate to trade and being the protector of the trust by signing a sheaf of documents presented to him by his father. Christos Doulis stated that in the nineties he signed several documents without a fulsome review of them since he always operated on the assumption that his father has had his best interests at heart.

[172] Upon questioning by me, Christos Doulis stated that at the relevant time he had no idea that he was a protector of the Paladin Trust and that he did not know what a protector was. Christos Doulis stated that he did not know what his duties were and that he would have to consult documentation to refresh his memory as to his duties. Christos Doulis stated that it was in the fall of 2010 that he became aware of his role with the Paladin Trust and the actual nature of what that role entails. (Transcript, April 4, 2013, p. 34-36)

[173] Following the Compelled Interview of C. Doulis Christos Doulis, through his lawyer Sean J. O'Donnell from Lenczner Slaght LLP, wrote to Staff, by letter dated October 29, 2010 (the "**October 29, 2010 Letter**") indicating that Christos Doulis would not be signing the authorization. The October 29, 2010 Letter reads:

> Mr. Doulis does not wish to be uncooperative. However, he advises that to the best of his knowledge, he has no relationship with Liberty Consulting. Any bestowal of such authority to act for Liberty Consulting, if it occurred, was without his content. If Staff are in possession of documentation that suggests that he has authority to act for Liberty Consulting, we request that you provide a copy of it to us so that he may consider the documentation and obtain advice concerning whether he wishes to accept any responsibility for acting on behalf of that entity.
>
> (Transcript of the Merits Hearing, April 4, 2013, pp. 31-32; Exhibit S80 – Fax cover sheet dated October 29, 2010 with letter from Sean O'Donnell of Lenczner Slaght dated October 29, 2010 addressed to Larry Masci Re: Christos Doulis)

[174] Christos Doulis confirmed that he did not receive further communication from the Commission regarding that matter after that letter was sent. (Transcript of the Merits Hearing, April 4, 2013, pp. 30-31)

VIII. THE LAW

A. The Commission's Public Interest Mandate

[175] Section 1.1 of the Act provides that the purposes of the Act are:

(a) to provide protection to investors from unfair, improper or fraudulent practices; and

(b) to foster fair and efficient capital markets and confidence in capital markets.

[176] The primary means for achieving and upholding the purposes of the Act includes imposing "restrictions on fraudulent and unfair market practices and procedures" and setting "requirements for the maintenance of high standards of fitness and business conduct to ensure honest and responsible conduct by market participants." (Securities Act, supra, s. 2.1)

[177] The Supreme Court of Canada has recognized that the primary goal of securities legislation is the protection of the investing public, intended to be exercised to prevent likely future harm to Ontario's capital markets. (*Committee for the Equal Treatment of Asbestos Minority Shareholders v Ontario (Securities Commission)*, [2001] 2 SCR 132 at paras 37, 39 and 42) To achieve this goal the Commission has "a very broad discretion to determine what is in the public's interest". (*Pezim v. British Columbia (Superintendent of Brokers)*, [1994] 2 SCR 557 at para 75) This broad discretion allows the Commission to intervene whenever the conduct is contrary to the public interest, even when there is no specific breach of the Act (*Re Canadian Tire Corp*. (1987), 10 OSCB 857 ("***Canadian Tire***") at paras 124-126) The scope of the Commission's discretion in defining the public interest is limited only by the general purposes of the Act. (*Gordon Capital Corp. v Ontario (Securities Commission)*, [1991] 50 OAC 258 (Div Ct) at para. 37)

B. The Registration Requirement for Advisers

[178] The Supreme Court of Canada held that:

> The paramount object of the Act is to ensure that persons who, in the province, carry on the business of trading in securities or acting as investment counsel, shall be honest and of good repute and, in this way, to protect the public, in the Province or elsewhere, from being defrauded as a result of certain activities initiated in the Province by persons therein carrying on such a business.
>
> (*Gregory & Co. Inc. v. Quebec Securities Commission et al.*, [1961] S.C.R. 584, supra at para 11)

[179] Registration requirements are an essential element of the regulatory framework. Its purpose is achieving the regulatory objectives of the Act. The Commission has previously stated that "registration serves an important gatekeeping mechanism ensuring that only properly qualified and suitable individuals are permitted to be registrants". (*Re Limelight Entertainment Inc.* (2008), 31 OSCB 1727 ("***Limelight***") at para 135)

[180] Registration is a privilege, not a right, that is granted to individuals and entities that have demonstrated their suitability for registration. (*Re Trend Capital Services Inc.* (1992), 15 OSCB 1711 at para 111; *Re Istanbul* (2008), 31 OSCB 3799 at para 60) Individuals must meet certain requirements based on the fundamental principles of proficiency, integrity and solvency, in order to be registered and participate as a registrant in the capital markets. Registered firms must, among other things, meet specific and ongoing business conduct requirements such as know your client (KYC) and suitability obligations, have an effective compliance system and meet financial reporting, working capital and insurance requirements. These requirements help protect investors and the integrity of the capital markets. (Section 13.2 of the Companion Policy to National Instrument 31-103)

[181] Registrants hold positions of trust in the securities industry and towards their clients, creating a responsibility on their part to fulfill an important role directed towards the protection of investors and fostering fair and efficient capital markets and confidence in capital markets. (*Re Sawh* (2012), 35 OSCB 7431 at para 309) It is:

> … through the registration process, the Commission attempts to ensure that those who trade in securities meet the applicable proficiency requirements, are of good character, satisfy the appropriate ethical standards and comply with the Act.
>
> (*Limelight*, *supra* at para 135)

The Registration Requirement

[182] Prior to September 28, 2009, subsection 25(1)(c) of the Act provided that:

> No person or company shall, act as an adviser unless the person or company is registered as an adviser, ...
>
> ... and the registration has been made in accordance with Ontario securities law. ...

[183] Prior to September 28, 2009, Section 99 of the *Ont. Reg. 1015 – General Regulation made under the Securities Act* ("**Ont. Reg. 1015**") stated that:

> Every person or company that is required to register as an adviser shall be registered and classified into one or more of the following categories:
>
> […]
>
> […]
>
> 3. Portfolio managers, being persons or companies that are registered for the purposes of managing the investment portfolio of clients through discretionary authority granted by one or more clients.

[184] Ont. Reg. 1015 was revoked with the coming into force of the Registration Amendments (as defined below).

[185] "Adviser" is defined in subsection 1(1) of the Act as:

> a person or company engaging in or holding himself, herself or itself out as engaging in the business of advising others as to the investing in or the buying or selling of securities.

[186] On September 28, 2009, the Commission adopted amendments to the registration requirements (the "**Registration Amendments**") where subsection 25(1)(c) was repealed and replaced with subsection 25(3). Subsection 25(3) provides:

> 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 the business of, or hold himself, herself or itself out as engaging in the business of advising anyone with respect to investing in, buying or selling securities unless the person or company,
>
> (a) is registered in accordance with Ontario securities law as an adviser; ...

[187] Subsection 26(6) of the Act provides that:

> A person or company making an application under subsection (1) with respect to registration as an adviser shall indicate for which of the following categories of adviser registration he, she or it is applying and shall provide such information as the Director may require to verify that the activities of the person or company will be within the permitted activities for that category of adviser registration:
>
> 1. Portfolio manager, authorized to provide advice to a client with respect to investing in, buying or selling any type of security, with or without discretionary authority granted by the client to manage the client's portfolio.
>
> 2. Restricted portfolio manager, limited to the advising activities authorized under section 27 for the person's or company's registration.

[188] Subsection 7.2 (1) of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Obligations* ("*National Instrument 31-103*") which came into force with the Registration Amendments, provides that the two categories of registration for a person or company that is required, under securities legislation, to be registered as an adviser are "portfolio manager" or "restricted portfolio manager".

[189] The definition of "adviser" as set out in subsection 1(1) of the Act did not change with the Registration Amendments.

Advising Generally

[190] A person is acting as an adviser if the person (i) offers an opinion about an issuer or its securities, or makes a recommendation about an investment in an issuer or its securities, and (ii) if the opinion or recommendation is offered in a manner that reflects a business purpose. A person who recommends an investment is advising in securities. (*Re Donas*, 1995 LNBCSC 18 ("***Re Donas***") at p 6; *Re Maguire* (1995), 18 OSCB 4623 ("***Re Maguire***") at pp 2-3; *Re First Federal Capital (Canada) Corp.* (2004), 27 OSCB 1603 ("***Re First Federal***") at paras 28-29)

[191] The British Columbia Securities Commission in *Re Donas* held that:

> A person who recommends an investment in an issuer or the purchase or sale of an issuers securities, or who distributes or offers an opinion on the investment merits of an issuer or an issuers securities, is advising in securities. If a person advising in securities is distributing or offering the advice in a manner that reflects a business purpose, the person is required to be registered under the Act [emphasis added].
>
> (*Re Donas*, *supra* at p 6)

[192] Providing mere financial information as to specific securities does not constitute the giving of advice, but providing an opinion on the wisdom or value or desirability of investing in specific securities does. (*Re Canadian Shareholders Association* (1992), 15 OSCB 617 ("***Canadian Shareholders***"); *Re Costello* (2003), 26 OSCB 1617 ("***Re Costello***") at para 28)

[193] The nature of the information given or offered by a person is the key factor in determining whether that person is advising with respect to investment in or the purchase or sale of securities. A person who does nothing more than provide factual information about an issuer and its business activities is not advising in securities. (*Re Donas*, *supra* at p 6)

[194] Since advising involves offering an opinion or recommendation to others, the Act requires advisers to be registered with the Commission and to meet certain conditions as to their education and experience. (*Re Donas*, *supra* at p 6; *Re Doulis* (2011), 34 OSCB 9597 at para 30 citing *Gregory*, *supra* at p 725)

The trigger for registration as an adviser

[195] In *Re Costello*, the Commission held that "[t]he trigger for registration as an adviser is not doing one or more acts that constitute the giving of advice, but engaging in the business of advising". (*Costello v Ontario (Securities Commission)*, [2004] 242 DLR (4th) 301 (Div Ct)at para 25)

[196] The Registration Amendments broadened the language of subsection 25 of the Act and introduced the phrase "engaging in the business of trading" directly in the legislation. In *Re Empire Consulting Inc.* (2012), 35 OSCB 7775 ("***Empire Consulting***") the Commission held:

> The phrase "engaging in the business of trading" indicates that the Commission must find a business purpose in determining whether a person or company is trading in securities pursuant to section 25 of the Act, as amended. In making this determination, the Commission must consider Companion Policy 31-103 at section 1.3, which provides as follows:
>
> > **Business trigger for trading and advising**
> >
> > We refer to trading or advising in securities for a business purpose as the "business trigger" for registration.
> >
> > We look at the type of activity and whether it is carried out for a business purpose to determine if an individual or firm must register. We consider the factors set out below, among others, to determine if the activity is for a business purpose. For the most part, these factors are from case law and regulatory decisions that have interpreted the business purpose test for securities matters.
>
> The policy goes on to enumerate the following factors:
>
> (a) Engaging in activities similar to a registrant;
>
> (b) Intermediating trades or acting as a market maker;

> (c) Directly or indirectly carrying on the activity with repetition, regularity or continuity;
>
> (d) Being, or expecting to be, remunerated or compensated; and
>
> (e) Directly or indirectly soliciting.
>
> The policy notes that the enumerated factors are not exhaustive and that no one factor on its own will determine whether an individual or firm is in the business of trading or advising in securities.
>
> (*Empire Consulting* at paras 44-46; Companion Policy NI 31-103 *Registration Requirements and Exemptions*, OSC CP 31-103 (17 July 2009), s 1.3)

[197] The Commission has held that a business purpose exists where the adviser expects to be remunerated in some respect. Remuneration or expected remuneration, whether direct or indirect, reflects a business purpose. (*Re Costello*, *supra* at paras 34-35; *Re Maguire*, *supra* at pp. 2-3; *Re First Federal*, *supra* at para 29) The Commission stated in *Re First Federa*l, that "where a respondent expects to be remunerated in some respect with respect to his activities, a business purpose is reflected". (*Re First Federal*, *supra* at paras. 29-30)

[198] There is no need for advising to be the only business the person or company in question is engaged in for there to be a business purpose. (*Costello v Ontario (Securities Commission)*, [2004] 242 DLR (4th) 301 (Div Ct) at para 62) In *Re First Federal*, the Commission stated that:

> Documentation made it clear that First Federal was to receive fees from the Trading Program. Whether the fees were payable by the Bank out of its own funds or out of the funds deposited into the deposit account by the investor is not entirely clear. What is relevant, however, in determining whether there was a commercial purpose for First Federal in giving advice is the fact that it was to receive remuneration because of its activities, regardless of the specific manner or the specific person from whom the remuneration would be paid. We note, incidentally, that the documentation required a direction to be signed by the investor, directing the Bank to pay fees to First Federal.
>
> (*Re First Federal* at para 30)

[199] In *Re Maguire*, the business purpose was evidenced by an advertisement in the Yellow Pages for "Investment Advisory Services" and by the receipt of a fee or commission relating to the investment made by the party acting on the evidence. The major business of Maguire was the giving of tax planning advice, and the securities advice was given in that context. Nevertheless, Maguire was held to be within that section. (*Re Maguire*, *supra* at p 1801)

[200] In *Re Hrappstead*, [1995] 15 BCSCWS 13 ("***Re Hrappstead***"), the Commission found that the business purpose element was satisfied even though there was no evidence that any investors had acted on Hrappstead's advice (i.e. no investors appear to have invested in the Investment Program), or that he had received a payment of any kind in return for his advice. As to his business purpose, "one need look no further than what he stood to receive if the Investment Programs were successful...". (*Re Hrappstead*, *supra* at p. 35)

[201] Since the language of subsection 25 is more broad as a result of the Registration Amendments, the Commission has held in Empire Consulting that:

> … if the Panel determines that the evidence indicates that the Respondents' actions prior to September 28, 2009 were contrary to the predecessor provision then the same behaviour post-September 28, 2009 must also be in violation of the broader wording of the Act. The same does not hold true in reverse; namely, acts that are found to be in contravention of the amended subsection 25(1) of the Act post-September 28, 2009 are not necessarily in contravention of subsection 25(1)(a) pre-September 28, 2009.
>
> (*Empire Consulting* at para 43)

Portfolio Manager – A category of registration as an adviser

[202] There are different categories of registration for persons or companies required to be registered under the Act. In *Re Michalik* (2007), 30 OSCB 6717, the Commission held that:

> The different types of registration available are set out in sections 98 to 101 of the General Regulation, R.R.O. 1990, Regulation 1015 ("Ont. Reg. 1015"). Specifically, section 99 of Ont. Reg.

> 1015 deals with the registration of advisers. The relevant parts of section 99 of Ont. Reg. 1015 are reproduced below:
>
> > 99. Every person or company that is required to register as an adviser shall be registered and classified into one or more of the following categories:
> >
> > [...]
> >
> > 3. Portfolio managers, being persons or companies that are registered for the purpose of managing the investment portfolio of clients through discretionary authority granted by one or more clients.
>
> (*Re Michalik* at para 17)

[203] In interpreting the adviser registration requirement, the Alberta Securities Commission in *Re Wenzel*, (2005) ABASC 91("***Re Wenzel***") held that:

> [43] … the extent of discretion that a securities salesperson can or cannot exercise for a client is a matter of some importance under Alberta securities laws.
>
> [44] There are a variety of categories of registration under the Act, among them "salesperson" and "advisor". The activities that a person can undertake are constrained by the registration category. A registered salesperson is authorized to "trade" in securities (paragraph 75(1)(a) of the Act), but only a registered advisor may "act as an advisor" (paragraph 75(1)(b) of the Act).
>
> [45] Section 17 of the Commission Rules sets out several categories of "adviser" (we attach no significance to the different spelling), including a "portfolio manager", which subsection 1(nn) of the Act defines as:
>
> > an advisor registered for the purpose of managing the investment portfolio of the advisor's clients through discretionary authority granted by the clients;
>
> [46] In this somewhat roundabout way we reach the conclusion that while registration as a "salesperson" permits trading for clients, "discretionary trading" for a client can be conducted only by an "advisor" registered in the category of "portfolio manager".
>
> […]
>
> [49] We can summarize:
>
> When a person effects a securities transaction for a client without obtaining from the client, in advance, specifics as to four elements of the transaction – quantity, security, price and timing – that person is exercising "discretion".

[204] The exercise of discretion is restricted to those registered as "portfolio managers", and authorization to exercise discretion must come from the client. Notwithstanding that Ont. Reg. 1015 and 1(nn) referred to in *Re Wenzel* was revoked in The Registration Amendments. The different categories of registration for persons or companies required to be registered und the Act are in National Instrument 31-103.

C. Misleading Staff

[205] Subsection 122(1)(a) of the Act states that "every person or company that makes a statement in any material, evidence or information submitted to ... any person appointed to make an investigation or examination under this Act that, in a material respect and at the time and in the light of the circumstances under which it is made, is misleading or untrue or does not state a fact that is required to be stated or that is necessary to make the statement not misleading" is guilty of an offence.

[206] The Commission has held in *Biovail Corp. (Re)* (2010), 33 OSCB 8914 that:

> … material, evidence or information "submitted to the Commission" for purposes of subsection 122(1)(a) means material, evidence or information submitted to the Commission for its review or consideration with the intention or expectation that the Commission would rely on that material, evidence and information in connection with the administration of the Act. That would clearly

> include statements and representations made to the Commission or Staff in connection with an investigation or an examination under Part VI of the Act …
>
> (*Biovail Corp.* at para 368)

[207] The importance of providing full and accurate information to the Commission was emphasized by the Ontario Court of Appeal in *Wilder et al v Ontario (Securities Commission)*, (2001) 53 OR (3d) 519 (CA) at para 22, and restated in *Re Moncasa Capital Corp.* (2013), 36 OSCB 5320 at para 149:

> The [Commission] is charged with the statutory obligation to do its best to ensure that those involved in the securities industry provide fair and accurate information so that public confidence in the integrity of the capital markets is maintained. It is difficult to imagine anything that could be more important to protecting the integrity than ensuring that those involved in those markets, whether as direct participants or as advisers, provide full and accurate information to the [Commission].

D. Credibility

[208] An assessment of a witness' credibility refers to the process undertaken by the trier of fact to assess the trustworthiness or believability of the witness' testimony. This process will involve:

(a) as assessment of the general integrity, powers of observation, capacity to remember and accuracy of statements of the witness;

(b) the extent to which the witness' evidence is internally consistent;

(c) the extent to which the witness' evidence is consistent with other proven or undisputed facts; and

(d) in the rarest of cases, the demeanour of the witness.

(CED (Ont 4th), vol 31, title 82 at s 126)

[209] In *Springer v Aird & Berlis LLP* (2009), 96 OR (3d) 325 the Court, citing *R v Pressley* (1948), 94 CCC 29 (BCCA) ("***Re Springer***"), held that the "most satisfactory judicial test of truth lies in its harmony or lack of harmony with the preponderance of probabilities disclosed by the facts and circumstances in the conditions of the particular case". (*Re Springer* at para 14) In cases where there is conflicting testimony and where the trier of fact is deciding on a balance of probabilities whether a fact occurred,

> provided the judge has not ignored evidence, finding the evidence of one party credible may well be conclusive of the result because that evidence is inconsistent with that of the other party. In such cases, believing one party will mean explicitly or implicitly that the other party was not believed on the important issue in the case. That may be especially true where a plaintiff makes allegations that are altogether denied by the defendant…
>
> (**McDougall**, **supra** at para 86)

IX. FINDINGS AND ANALYSIS

A. In the business of advising

[210] There is clear and convincing evidence and on a balance of probability that each of Doulis and Liberty acted as an adviser to Ontario investors, including the Clients and the Investor Witnesses without being registered as an adviser, or registered as a representative of a registered adviser in accordance with Ontario securities law during the Material Time prior to September 28, 2009. I also find that each of Doulis and Liberty engaged in the business of advising investors with respect to investing in, buying or selling securities without registration under the Act during the Material Time after September 28, 2009.

[211] I also find that Doulis acted as a portfolio manager, which is a category of adviser, for registration, for the purpose of managing the investment portfolios of the Clients through discretionary authority granted to him by each Client through the POAs. Doulis provided discretionary account management services to the Clients and Investor Witnesses, bought and sold securities in the Client Accounts though the POA and offered this advice in a manner that reflected a business purpose. I find that Doulis prepared and sent invoices to the Clients and the Investor Witnesses for the discretionary account management services he provided through Liberty. I also find that each of Doulis and Liberty held himself and itself out respectively as being in the business of providing portfolio management services to the Clients during the Material Time by soliciting the Clients for

portfolio management services on the Client invoices and charged the Clients for "portfolio services". Additionally, Doulis used Liberty as the vehicle to collect the fees that he charged for his advising the Clients.

[212] Each of the Respondents should have taken the necessary steps to ensure that the proper registrations were in place and that their activities were in compliance with Ontario securities law. As a former registrant who identifies himself as a founding partner of Gordon Capital, former director of McNeil Mantha and a top ranked analyst, having previously passed the Chartered Financial Analyst exam and having taken the Directors and Officers exam, Doulis had a higher level of awareness of the requirements under Ontario securities law and knew or ought to have known the importance of those requirements to the capital markets of Ontario. (Exhibit S13 – Tab 3, Letter from Doulis, November 20, 2008)

[213] In concluding that each of the Respondents were in the business of advising in the buying or selling of securities without being registered in accordance with Ontario securities law in any category of adviser, contrary to subsection 25(1)(c) of the Act (in force until September 28, 2009) and subsection 25(3) of the Act (in force as of September 28, 2009) I considered the following factors; whether the Respondents were,

(a) engaging in activities similar to a registrant,

(b) being, or expecting to be, remunerated or compensated, and

(c) directly or indirectly soliciting clients on the basis of providing advice.

[214] In *Empire Consulting*, the Commission considered whether the respondents in that matter were intermediating trades or acting as a market maker. I do not find it necessary or relevant to consider whether Doulis or Liberty were intermediating trades or acting as market maker in assessing the allegations before me.

1. Engaging in activities similar to a registrant

Acting as an Adviser

[215] I find that each of Doulis and Liberty engaged activities that were similar to that of an adviser registered in the category of portfolio manager. An individual or firm will be considered to be engaging in activities similar to those of a registrant and advising for a business purpose if the individual or firm is promoting securities or stating that the individual or firm will buy or sell securities. An individual or firm that establishes a business to promote securities or to buy or sell securities is advising for a business purpose.

[216] During the Material Time, Doulis offered portfolio management services to Ontario residents and engaged in the business of advising Clients as to the investing in or the buying or selling of securities during the Material Time through the discretionary authority granted to him by the POAs and did so for a business purpose.

[217] I find that during the Material Time, Doulis held POAs over the accounts of 12 individuals and corporations at Desjardin Securities. Doulis bought and sold securities at his discretion, of "whatever he felt was appropriate," in the Client Accounts. Doulis did not discuss any purchase or sale of securities with any of the Clients before he instructed Milewski and/or Baker to execute each trade, but relied on the discretionary authority that the POA Form provided to him. Instead each of the Clients found out about the purchase and/or sale of securities in their respective Client Account from their statements, of which Doulis had copies.

[218] Each of the Investor Witness testified that Doulis provided advice on their respective Client Accounts at Desjardins Securities, instructed Desjardins Securities to make trades acting as their adviser, and Milewski and Baker executed those trades. By signing the POA Form, each of the Investor Witnesses ratified in advance, all decisions taken by Doulis in respect of the activities in their respective Client Accounts at Desjardins Securities. As a result, each of the Investor Witnesses did not need to provide instructions to Doulis with respect to the type of investment they wanted.

[219] I also find that Doulis advised the Clients with discretionary authority as a portfolio manager. I find that the POAs gave Doulis discretionary authority and permitted Doulis "without any restriction whatsoever" to, among other things, (i) deliver or receive securities in relation with the management of the Client Accounts at Desjardins Securities including make all trading decisions, and (ii) issue all trading instructions to Desjardin Securities in respect of the Client Accounts held by each of the Clients, including the Investor Witnesses. The POAs authorized Doulis to make deposits, withdrawal and transfer funds to and for the Client's exclusive benefit in each Client Account, and also to deliver or receive securities in the exclusive name of the Client, all of the above in relation with the management of the respective Client Accounts.

[220] I find that the Clients relied on Doulis to make and execute their investment decisions and took little or no advice from Milewski or Baker. Doulis did not discuss trades with the Clients in advance, seek instructions from the Clients including the Investor Witnesses, and did not inform the Clients after making trades because he had the discretionary authority to do so

through the POA Form signed by each Client. The Clients including the Investor Witnesses learned of trades after the fact when they each received trade confirmations or their respective monthly statements.

[221] Each of the Investor Witness testified that it was Doulis who recommended that they each establish a trading account with Desjardins Securities and requested that they each obtain and sign a POA Form authorizing Doulis to give instructions to Desjardins Securities. Each of the Investor Witnesses, with the exception of Investor One, also authorized Doulis to withdraw funds from their respective Client Accounts.

[222] Doulis also promoted his portfolio management services to buy and sell securities on behalf of the Clients. In the February 21, 2008 Email, Doulis promoted that "I will have trading discretion over the account, which means that I can only buy or sell securities in the account." (Transcript of the Merits Hearing, April 5, 2013, p. 99, lines 16-18) Doulis refers to himself, to Desjardins Securities, as managing accounts of clients pursuant to the POAs, and admitted to buying and selling securities for people which he refers to as, "my clients." Doulis stated in the September 15, 2008 Letter that he was "managing a few million dollars of investor securities". He also wrote in the November 2, 2008 Letter that he was "managing accounts" and in the November 20, 2008 Letter he stated: "[w]ould your firm be better served if I stopped directing anymore accounts to Desjardins? … Should I move the million dollar accounts or the smaller ones? Which course do you advise? What would be best for Desjardins?"

[223] Doulis established the business of Liberty which he used to promote securities and to buy and sell securities on behalf of the Clients. Doulis also recommended that each of the Investor Witness pay Liberty to provide a portfolio review. None of the Investor Witnesses knew about Liberty other than it was the entity that (i) sent the invoices for portfolio management services and (ii) they paid for services performed by Doulis.

[224] With respect to his association with Liberty, Doulis admitted in the Phone Interview that Liberty "pays me a retainer to advise them on the state of Canadian capital markets". (Transcript, July 15, 2009, Phone Interview, p.7, lines 20-22)

2. Being, or expecting to be remunerated or compensated

[225] I also find that Doulis and Liberty advised Clients with respect to the buying and selling of securities for a business purpose for which the Respondents expected to be compensated and were remunerated.

[226] Doulis stated in the Phone Interview that the Clients pay Liberty for a review of their portfolios. Doulis also stated that there is an annual review of the portfolio carried about by Liberty.

[227] During the Merits Hearing, Doulis testified that Liberty was compensated for the completion of an annual portfolio review and that he performed the portfolio review analysis. However, he was not compensated directly or indirectly for that work.

[228] The February, 21, 2008 Email, Doulis introduced his services to include "trading discretion over the account" for which Doulis charged "0.5% per annum (one half of one percent) of the value of the portfolio at year end or $500, whichever is greater."

[229] Doulis also sent an email on January 21, 2005 (the "**January 21, 2005 Email**") to Investor Two stating:

> Liberty, your portfolio manager, charges its fee on the basis of .5 % of total assets under administration at year end. As you know I negotiated to have your fee reduced to half of what would be payable for the year 2004 which is CAD $1,093.77.

[230] The January 21, 2005 Email requested that the payment be wired to the Liberty USD Bank Account. Investor Two also received an Invoice on Liberty letterhead dated January 19, 2010 (the "**January 19, 2010 Invoice**") for a service fee of $3,217 at 0.05% for portfolio services. The January 19, 2010 Invoice requested that the payment be wired to the Liberty USD Bank Account.

[231] Investor Two received the 2008 Invoice and 2009 Invoice for "investment management services" for the years 2007 and year 2008 respectively. The 2008 Invoice directed Investor Two to forward payment to Doulis, in an account number at the Standard Bank in the Isle of Man. The 2008 Invoice stated that "we prefer to be paid in US dollars" and was signed "Regards, Alex Doulis." The 2009 Invoice requested that Investor Two mail, to the Liberty Office, a "bank cheque payable to Liberty" for Investor Two's portfolio oversight for the year."

[232] Each of the Investor Witnesses testified that they received an invoice from Liberty for services in their respective Client Accounts. Investor Two testified that the nature of the services, as she understood at the time, was "financial advice on the kinds of investments that would suit [my] portfolio" located with Desjardins Securities.

[233] Each of the Investor Witnesses testified that they paid a half of one percent of the value of their respective portfolios at the end of the year to Liberty. Investor One testified she did not pay for the services Doulis provided in the first few years, "but then there began to be payment to Liberty Consulting". Investor One also testified that she did not pay Doulis directly, she paid Liberty for the "portfolio review," and the payments amounted to $4000 - $5000 annually. (Transcript, February 4, 2013, Testimony of Investor One, Volume 1, p.58, lines 17-18) There were no other names on the invoices other than Liberty. She compared the fees charged in her portfolio from year-to-year to the commissions charged by investment funds and explained the variation as dependent on the increase in value that "Doulis managed to get" for her.

[234] Each of the Investor Witnesses testified that it was their understanding that they were dealing with Doulis. Investor One testified that it was her understanding that Doulis had a connection with Liberty. Investor Two testified that her understanding was that she was dealing with Doulis and that she did not know who Liberty was. Investor Two also testified that when she received an invoice and paid it, she did so on the faith that it was emanating from Doulis. Investor Two identified Liberty as "a company that pays [Doulis] a fee and it's a structure that has been set up. I don't know how it was set up or who runs it." (Transcript, February 4, 2013, Testimony of Investor Two, p.118 lines 23-25) Investor Two also testified that all she knew about Liberty was that it was where she sent her money.

[235] Investor Four testified that Liberty is a company that Doulis represented and that she made a cheque payable to Liberty for services Doulis performed for her. Investor Four also testified that she did not know who owned Liberty, but that she paid Liberty for the services Doulis performed.

[236] Investor Four testified that she received the January 20, 2010 Invoice from Liberty in the amount of $26,913.00 which she paid by cheque for annual services for 2009. Investor Four testified that she did not pay Doulis, but she made a cheque to Liberty for services Doulis performed for her.

[237] Doulis testified that Liberty had a number of clients and that he could not have known the people that he introduced to Liberty for their offshore business through the Turks and Caicos Island where the company had an office as well as in the Isle of Man. Doulis stated that he did not know whether or not invoices were sent, by whom and to whom, because he was not in those offices. He testified that he "never received directly or indirectly remuneration from Liberty except as mentioned in compelled testimony [the Compelled Examination of Doulis] that [he] received a $12,000 annual retainer to represent Liberty in Canada". On cross examination by Staff, Doulis stated that "Liberty offered bills. Whether or not there was a requirement to pay, I do not know".

[238] Doulis also, upon questioning by me, explained the relationship between the Investor Witnesses, Liberty and Doulis:

> CHAIR: …then let me understand the relationship here. So, clients retain you for power of attorney. Clients retain Liberty and they pay Liberty, and you act on behalf of Liberty and you handle their business affairs in Canada; is that a fair summary?
>
> DOULIS: Exactly. Exactly. But you should be aware, sir, that the clients do not retain Liberty. The clients have no contractual arrangement with Liberty whatsoever. There is a contractual arrangement to some extent with me as a result of the fact that I have a power of attorney. That is the only contractual relationship with me.
>
> CHAIR: And they have no contractual relationship with Liberty?
>
> DOULIS: None whatsoever.
>
> CHAIR: But they pay Liberty; am I right?
>
> DOULIS: They pay Liberty, exactly. They are willing to have that service.
>
> CHAIR: But they pay Liberty without a contractual relationship is what you're …
>
> DOULIS: Exactly.

[239] In the Merits Hearing, Doulis denied the fact that the invoices were from him, but instead testified that the invoices were from Liberty:

> When somebody receives a letter and it has a letterhead, the letter is usually assumed to have come from the person who has the letterhead, not from the person signing the letter or bringing the letter forth or delivering the letter. The letter, in my understanding, correct me if I'm wrong, sir, comes from the person on the letterhead in the same way when [Investor Two] received documentation from the Ontario Securities Commission signed by Mr. Feasby or Mr. Horgan or

> whomever, Ms. Chambers, it did not come from Ms. Chambers or Mr. Horgan or Mr. Feasby. It actually came from the Ontario Securities Commission. My friend here keeps saying, did you receive this invoice from Alex Doulis. I would read that, sir, I may be mistaken, but I would have assumed that seeing as the letterhead is Liberty Consulting, the return addresses are all Liberty Consulting, that that document came from not Alex Doulis, sir, but Liberty Consulting.
>
> […]
>
> … my friend here has been saying an invoice from Alex Doulis. I think my friend would be more correct in saying, you received an invoice from Liberty Consulting sent by Alex Doulis.

[240] I do not accept this explanation from Doulis. When an institution or an organization or a corporation sends a letter on its letterhead, that letter or the invoice stems from that institution. Since it is an inanimate object, that is, it is not a natural person, that letter must be sent by some natural person. It has been established that, as I see it, many of the invoices and communications were signed by Doulis, who is a natural person and is signing on behalf of Liberty.

[241] I also find that Doulis was compensated, through Liberty, as an adviser for the discretionary account management services he provided to each of the Clients including the Investor Witnesses, and that Doulis established this arrangement in order to be compensated.

[242] Based on the evidence at the Merits Hearing, the business purpose requirement for advising is met with respect to Doulis and Liberty. Each of the Respondents expected some type of remuneration from the Clients and each of the Investor Witnesses as a result of managing the Client Accounts.

3. Directly or indirectly soliciting clients on the basis of providing advice

[243] I also find that Doulis and Liberty directly solicited the Investor Witnesses for the sole purpose of providing discretionary account management services and advice as to the buying and selling of securities. Soliciting anyone for the purposes of buying or selling securities or offering advice for these purposes is advising for the purposes of the Act. Doulis solicited Clients through the February 21, 2008 Email to Investor Three. Doulis also solicited investors for and on behalf of Liberty through the following Invoices that he prepared and sent to Clients on the Liberty Letterhead, including:

- the 2007 Invoice to Investor Two stating "I am currently seeking new clients and any referrals would be appreciated";
- the 2006 Invoice to Investor Two which included a statement stating, "I would recommend that you transfer some securities into your RRSP to take advantage of the tax break that you will incur"; and
- on the invoice from Liberty to Investor Three for services provided in the year 2010 stating that "Liberty is accepting accounts at $500,000 or more and would be pleased should you be willing to send referrals."

[244] I also find that, based on the evidence presented at the Merits Hearing, the actions of each of the Respondents prior to September 2009 are contrary to the predecessor provision of section 25 of the Act. I also find that the behaviour and activities of each of the Respondents were the same throughout the Material Time and that the same behaviour exhibited by each of Doulis and Liberty during the Material Time after September 28, 2009, is also a violation of the broader wording of section 25 the Act.

Exemptions

[245] Once Staff has shown that the Respondents have advised without registration, the onus shifts to the Respondents to establish that one or more exemptions were available to them. (*Limelight*, *supra* at para. 142 and *Re Ochnik* (2006), 29 O.S.C.B. 3929 at para. 67) Doulis did not make any submissions as to whether he was able to rely on one or more exemptions. Liberty did not participate in the Merits Hearing. Anderson testified that:

> … there is no record that … [Doulis] had filed a Form 31-103 F2 with the … [Commission] providing notification that he was relying upon the international dealer exemption or international advisor exemption in the national instrument at any time between and including January 2004 and September 2010.
>
> (Exhibit S58 – Volume 2, Tab 1, Page 1 & Tab 2, p. 2)

[246] The Respondents did not establish that they qualified for any exemption under part 8 of National Instrument 31-103 or any provisions under securities law prior to September 28, 2009.

Fiduciary Relationship

[247] Doulis structured his affairs and the business of Liberty in a deliberate attempt to circumvent securities legislation, specifically the registration regime and established a fiduciary relationship with the Clients. In so doing Doulis acted contrary to the public interest. The Supreme Court of Canada has held that:

> [w]here the elements of trust and confidence and reliance on skill and knowledge and advice are present, the relationship is fiduciary and the obligations that attach are fiduciary.
>
> (*Hodgkinson v Simms*, (1994) 3 SCR 377 at para. 44)

[248] The Investor Witnesses testified that they trusted Doulis and relied on his advice with respect to his discretionary management of their respective Client Accounts. The Clients, through the POAs, relied on the skills and knowledge and advice of Doulis in managing the Client Accounts which I find amounts to a fiduciary relationship and triggers the obligations attaching to a fiduciary.

[249] I am troubled by the fact that Doulis knowingly established a fiduciary relationship with vulnerable Clients, through the discretionary authority granted to him by the POAs, and recklessly participated in the capital markets of Ontario, as an adviser, without registration or relying on an exemption from registration. During the Material Time, the Clients did not have the benefits and protections of the registration regime which holds advisers accountable to their fiduciary obligation to act in the best interest of clients.

B. Misleading Staff

[250] I find that Doulis made numerous false and misleading statements to Staff in the Doulis Correspondence, the Phone Interview, under oath in the Compelled Examination of Doulis and at the Merits Hearing that, in material respect and at the time and in light of the circumstances under which these statements were made, was misleading and, in certain circumstances, untrue.

[251] I find that Doulis made statements that:

(i) falsely minimized his role with Liberty;

(ii) he did not send, nor was he aware that anyone had sent, invoices to the Clients;

(iii) he did not know what remuneration Liberty received; and

(iv) he was not being paid directly or indirectly by any of the Clients.

[252] Doulis also omitted facts that were required to be stated or that were necessary to make his statements not misleading and omitted information within his knowledge that minimized his knowledge of the activity that he conducted on behalf of Liberty.

[253] During the Phone Interview, Doulis misled staff when he stated that:

(i) he provided “no services whatsoever” to Clients but that people of his acquaintance approach him and asked him if he would act as power of attorney on their accounts;

(ii) “they do not pay me a dime”;

(iii) he has received “no remuneration whatsoever” on any account over which he has power of attorney;

(iv) he has “never solicited anybody to manage, look after, look into, review or in any way interfere with their investment account”; and

(v) he does not advertise, solicit or seek clients.

[254] Doulis also misrepresented his involvement with Liberty by describing himself as an agent or employee who completed mailings and distributed reports. In the Compelled Examination of Doulis, Doulis minimized his role in Liberty by stating that he:

(i) had no role or business with Liberty except referring clients to them, sending bulk mail for them, collecting fees due to them and writing comments for them with respect to tax law and offshore investing;

(ii) did not send, and to his knowledge, no one sent the Clients invoices charging them for his services;

(v) had received only one cheque from one client on one occasion;

(vi) did not know what remuneration Liberty received for the portfolio services he provided to the Clients; and

(vii) did not receive remuneration, either directly or indirectly, from any of the Clients.

[255] Staff provided evidence in a series of emails between Doulis and Wilkinson that showed that Doulis directed:

- the establishment of the Liberty Accounts with Capital International; (November 21, 2002 Email, Exhibit S77 – Volume 1B, Tab O, p. 205)
- funds of Liberty to be deposited at Barclay's Bank in New York City, pending opening of accounts in the Isle of Man; (March 2, 2003 Email, Exhibit S77 – Volume 1B, Tab O, p. 208)
- the transfer of CAD $24,000 from Liberty to Minotaur Capital; (July 18, 2005 Email, Exhibit S77 – Volume 1B, Tab O, p. 213)
- the transfer of USD $10,000 belonging to Liberty; (December 11, 2006 Email, Exhibit S77 – Volume 1B, Tab O, p. 210)
- the transfer of funds to the credit of Liberty; (August 10, 2007 Email, Exhibit S77 – Volume 1B, Tab O, p. 215)
- the transfer of CAD $9,800 from, the account of Liberty to the credit of A. Christodoulidis; (November 9, 2007 Email, Exhibit S77 – Volume 1B, Tab O, p. 216)
- the opening of an account for Liberty and the transfer of securities into that account; (October 28, 2007 Email, Exhibit S77 – Volume 1B, Tab O, p. 219)
- the transfer of USD $10,000 belonging to Liberty; and (February 21, 2008 Email, Exhibit S77 – Volume 1B, Tab O, p. 218)
- the transfer of CAD $7,000 out of the Liberty Accounts. (June 16, 2008 Email, Exhibit S77 – Volume 1B, Tab O, p. 220)

[256] Doulis also mislead Staff when he denied he was not remunerated for advising the Clients and that he did not know whether the Clients were even invoiced, despite having drafted and sent the invoices himself.

[257] I find that Doulis omitted and did not state facts necessary to make his statements not misleading information in the Compelled Examination of Doulis by failing to inform Staff that he was at various times the sole shareholder, the sole director and the president of Liberty, established the Liberty Accounts, was paying rent and all obligations of Liberty in Canada, was transferring funds from bank accounts to brokerage accounts belonging to Liberty, and that he had arranged to sell Liberty to the Paladin Trust.

[258] Doulis falsely testified that he did not require compensation for his services and stated to the Panel "[t]here was no requirement to pay me. There was no requirement to pay Liberty … There was no requirement for anyone to pay me"; and that he was not compensated for acting for the Clients for any services with regards to Liberty except for an annual retainer.

[259] I find that Doulis was the directing mind of Liberty and the signing and trading authority on several Liberty Accounts until 2005. Doulis remained the directing mind of Liberty during the Material Time, notwithstanding that on or about June 2005, Doulis transferred his formal ownership of Liberty to the Paladin Trust.

[260] As the directing mind of Liberty, Doulis caused the Liberty Accounts and a brokerage account for Liberty at Capital International, Isle of Man (the "**Liberty Brokerage Account**") to be open. The Liberty Brokerage Account reference was "Calibcon" and the account executive was Wilkinson. Doulis had full discretionary trading authority over the Liberty Brokerage Account.

[261] Doulis also had signing authority and control over the two bank accounts of Liberty at FirstCaribbean International Bank, Providenciales, Turks and Caicos, the Liberty USD Bank Account and the Liberty CAD Bank Account. Doulis directed the Investor Witnesses to forward payment to Liberty to each of the Liberty USD Bank Account and the Liberty CAD Bank Account.

[262] During the Merits Hearing, I heard conflicting testimony from Doulis regarding whether he provided investment advice to Clients, was remunerated for providing that advice, or had trading authority for the Client Accounts, including the accounts of the Investor Witnesses.

[263] In assessing the credibility of Doulis' evidence, I have considered whether his evidence was "in harmony … with the preponderance of probabilities disclosed by the facts and circumstances …" of this case. (*Re Springer*, *supra* at para. 14)

[264] I also considered his accuracy in his statements to:

(1) the extent of the capacity of Doulis to perceive, to recollect, or to communicate any matter about which he testified;

(2) statements previously made by Doulis that is consistent with his statement at the Merits Hearing; and

(3) statements made by Doulis that is inconsistent with any part of his testimony at the Merits Hearing.

[265] I did not consider the demeanour of Doulis in my assessment.

Inconsistent Statements Regarding Providing Investment Advice

[266] Doulis maintained that he had never provided investment advice to anyone in Canada contrary to a previous testimony at Temporary Order Hearing where he testified that he had provided investment advice to both Investor One and Investor Two and they each paid Liberty. (Exhibit S28 – Transcript of the Temporary Order Hearing, March 10, 2011, p. 63, lines 16-23; Transcript, April 4, 2013, p. 124-125) Then during the Merits Hearing Doulis explained that "[t]hey were paying not for investment advice, but for, as it says, Liberty's services". (Transcript, April 4, 2013, p. 125, lines 19-20) Then, Doulis subsequently testified that Investor One and Investor Two were paying Liberty for his services that he performed for them. (Transcript, April 4, 2013, p. 126, lines 4-8)

Inconsistent Statements about Doulis' Relationship with Liberty

[267] Throughout the Merits Hearing, Doulis maintained that he did not know about Liberty but that he provided clerical and administrative services for the company. However, Doulis subsequently acknowledged upon cross examination by Staff, that he had sole control of the Liberty's Accounts at the time.

[268] When asked by Staff whether Liberty was receiving payment for his investment advice, he stated that Staff had asked a difficult question and later on denied that Liberty had received payment for his investment advice. Doulis argued that the invoice described "portfolio performance" and that nowhere in the invoice did it say "a charge for portfolio administration". (Transcript of the Merits Hearing, April 4, 2013, Testimony of Doulis, p. 129-130, lines 4-7)

[269] However, Doulis had previously confirmed to Staff that he requested that Investor Two transfer her payment to the Liberty USD Bank Account. (Transcript of the Merits Hearing, April 4, 2013, Testimony of Doulis, p. 130-131, lines 11-17) Additionally, at the Temporary Order Hearing, Doulis confirmed that he was the sole director and president of Liberty. When asked by Staff "and nobody else had control at that point in time over the back accounts of Liberty Consulting", Doulis indicated in his response that "This is correct".

Inconsistent Statements about Doulis' Relationship with Certain Investor Witnesses

[270] Doulis testified that he knew all of the Clients personally including Investor Three who he knew when she worked with a deceased friend named Mr. Gordon Davenport ("**Davenport**") in 1992. (Transcript, April 5, 2013, p. 20, lines 8-12) Doulis testified on cross-examination that he met Investor Three prior to the death of Davenport in 1992 at a garden party that Davenport had arranged. The statement as to how long Doulis had known Investor Three is inconsistent with Investor Three's testimony. Investor Three testified that Doulis had acted as her attorney since she met him in 2008. She was aware of Doulis "anecdotally" prior to that, but met with him on the recommendation of a friend who had some investments with him. However, at the Merits Hearing, upon cross examination by Staff, Doulis was asked about this inconsistency, Doulis testified that he did not recall Investor Three's testimony. Doulis testified: "I wasn't here for the testimony – for that testimony, but if – yes, we have known of each other and, on occasion, been in each other's company." (Transcript of the Merits Hearing, April 5, 2013, p.17, lines 20-22) When Staff provided Doulis with a copy of the transcripts from Investor Three's testimony at the Merits Hearing as a reference, and showed Doulis that the transcripts in fact showed that he was present for Investor Three's testimony, Doulis did not directly address the inconsistency between his testimony and that of Investor Three as to when she met him. Doulis focused on the fact that Investor Three used the term "anecdotally" and went into a discussion as to what the term "anecdotally" means. At the Temporary Order Hearing, Doulis stated that he met Investor Three in 2008 which would mean that he had only known her for a brief period of time. (Transcript of the Merits Hearing, April 4, 2013, p. 149, lines 17-23)

Inconsistent Statements about Doulis' CFA designation

[271] Doulis continues to hold himself out as a CFA to clients, to the Commission and to Desjardins Securities, despite not having paid his dues to the CFA Institute since 1990 and being advise by the CFA Institute to stop using the designation. When asked about his CFA dues, the following exchange occurred between Staff and Doulis:

> Q. And you have not paid your CFA dues since 1990, correct?
>
> Doulis: Ah, a very interesting point, Mr. Feasby. Very interesting point. My charter was granted by the International Chartered Federation of Analysts Association. It was not granted by the CFA Institute. The CFA Institute did not exist until 1990. My charter was not granted by the CFA Institute, therefore, I have no obligation to them and they have no resource to my charter. I have a designation, sir. They hand out the use of a copyright.
>
> Q. Nonetheless, you acknowledged that you haven't paid your dues for …
>
> Doulis: I can't pay my dues …
>
> Q. May I finish my question. You haven't paid your dues for 23 years.
>
> Doulis: To whom? To whom, Mr. Feasby?
>
> Q. The dues payable on your CFA charter.
>
> Doulis: There are no dues payable on my CFA charter, Mr. Feasby, because the organization that granted it no longer exists.
>
> Q. Do you acknowledge that you were instructed by the international governing body of CFAs to stop using the CFA designation?
>
> Doulis: And do you realize that I wrote them back and said, I will continue to do so and there is nothing you can do to stop me.
>
> Q. The question, Mr. Doulis, was whether or not you have been instructed to stop using the designation?
>
> Doulis: I have been asked to stop using their copyright and I have refused to do so because I am not using their copyright, I am using a designation that I was granted, like my BSc. – Nobody has said that because I have not been back to university for thirty – fifty years, then I have lost my BSc. It is a designation, like your LLB, sir.
>
> (Transcript of the Merits Hearing, April 5, 2013, pp. 77-79, lines 21-26)

[272] I find that Doulis' evidence was inconsistent, with respect to the testimony of the Investor Witnesses, his own statements and testimony at that Merits Hearing, and in evidence in the Compelled Examination of Doulis and in the Transcript of the Temporary Order Hearing. In this case where there is conflicting testimony, the Panel must decide whether the allegations occurred on a balance of probabilities, notwithstanding, whether I find a lack of harmony in Doulis' testimony. In those situations, I attached greater weight to evidence that was corroborated by other evidence, including documentary evidence and evidence provided from the testimony of the Investor Witnesses.

[273] Accordingly, I find that it is more likely than not that the allegations of Staff occurred for the reasons above.

X. CONCLUSION

[274] For the reasons stated above I find that during the Material Time:

1. between January 1, 2004 and September, 2010, Doulis and Liberty engaged in the business of advising with respect to investing in, buying or selling securities without being registered in accordance with Ontario securities law in any category of adviser, contrary to subsection 25(3) the Act, previously subsection 25(1)(c) of the Act; and

2. between July 2009 and September 2010, Doulis made statements to Staff that, in a material respect and at the time and in light of the circumstances under which they were made, were misleading or untrue or did not

state facts that were required to be stated or that were necessary to make the statements not misleading, contrary to s. 122(1)(a) of the Act.

[275] Doulis and Liberty acted contrary to the public interest.

[276] An order will be issued as follows:

1. Staff shall serve and file written submissions on sanctions and costs by 4:00 p.m. on September 24, 2014;

2. the Respondents shall serve and file responding written submissions on sanctions and costs by 4:00 p.m. on September 29, 2014;

3. Staff shall serve and file reply written submissions on sanctions and costs (if any) by 4:00 p.m. on October 2, 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 October 7, 2014, at 3:00 p.m., or such further or other dates as agreed by the parties and set by the Office of the Secretary;

5. the hearing to determine sanctions and costs shall commence on October 7, 2014 at 3:00 p.m. and be conducted by way of an electronic hearing where only the Panel will participate via teleconference, as defined in section 1.1 of the Rules and subsection 1(1) of the SPPA, unless a party objects as provided under subsection 5.2(2) of the SPPA;

6. a party who objects to the hearing on sanctions and costs being conducted by way of an electronic hearing where only the Panel will participate via teleconference, shall file and serve a notice of objection setting out the reasons for the objection within 5 days after receiving notice of the electronic hearing;

7. a notice of objection shall set out the reasons for the objection and be accompanied by any evidence and any law relied on in support of the objection satisfying the Panel that holding an electronic hearing by teleconference rather than an oral hearing is likely to cause the party significant prejudice; and

8. upon failure of any party to attend at the time and place aforesaid, or upon failure by any party to file and serve a notice of objection that holding the hearing on sanctions and costs by way of an electronic hearing by teleconference is likely to cause the party significant prejudice, 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 18th day of September, 2014.

"Vern Krishna"

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
Innovente Inc.	8 September 14	19 September 14	19 September 14	
Mercator Transport Group Corporation	10 September 14	22 September 14	22 September 14	
MountainStar Gold Inc.	11 September 14	23 September 14*		
Northaven Resources Corp.	8 September 14	19 September 14	19 September 14	
Pro-Trans Ventures Inc.	10 September 14	22 September 14	22 September 14	
Red Ore Gold Inc.	11 September 14	23 September 14	23 September 14	
Sacre-Coeur Mineral Ltd.	11 September 14	23 September 14	23 September 14	

* The temporary order issued on September 11, 2014 was extended by the Commission on September 23, 2014 to October 17, 2014.

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

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
Penn West Petroleum Ltd.	8 August 14	20 August 14	20 August 14	23 September 14	

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service 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

REPORT OF TRADES ON FORM 45-106F1 AND 45-501F1

There are no Reports of Exempt Distribution on Forms 45-106F1 or 45-501F1 (Reports) in this Bulletin.

Reports filed on or after February 19, 2014 must be filed electronically.

As a result of the transition to mandated electronic filings, the OSC is considering the most effective manner to make data about filed Reports available to the public, including whether and how this information should be reflected in the Bulletin. In the meantime, Reports filed with the Commission continue to be available for public inspection during normal business hours.

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Adex Mining Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated September 19, 2014
NP 11-202 Receipt dated September 19, 2014
Offering Price and Description:
$5,000,000.00 - Issue of Rights to Subscribe for up to * Common Shares
Price: * per Common Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
Great Harvest Canadian Investment Company Limited
Project #2261269

Issuer Name:
BMO Core Bond Fund
BMO Core Plus Bond Fund
BMO Global Balanced Fund
BMO Target Education 2020 Portfolio
BMO Target Education 2025 Portfolio
BMO Target Education 2030 Portfolio
BMO Target Education 2035 Portfolio
BMO Target Education Income Portfolio
BMO U.S. Dividend Fund
BMO U.S. Equity Plus Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated September 19, 2014
NP 11-202 Receipt dated September 22, 2014
Offering Price and Description:
Series A securities, series F securities, series D securities, series I securities and Advisor securities
Underwriter(s) or Distributor(s):
BMO Investments Inc.
Promoter(s):
BMO Investments Inc.
Project #2261430

Issuer Name:
Campar Capital Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated September 15, 2014
NP 11-202 Receipt dated September 16, 2014
Offering Price and Description:
$400,000 - 4,000,000 Common Shares
Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
-
Project #2260205

Issuer Name:
Fidelity Event Driven Opportunities Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated September 12, 2014
NP 11-202 Receipt dated September 17, 2014
Offering Price and Description:
Series A, B, F, O, T5, T8, S5, S8, F5 and F8 Units
Underwriter(s) or Distributor(s):
Fidelity Investments Canada ULC
Fidelity Investments Canada Limited
Promoter(s):
FIDELITY INVESTMENTS CANADA ULC
Project #2260605

Issuer Name:
Fidelity Event Driven Opportunities Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated September 12, 2014
NP 11-202 Receipt dated September 17, 2014
Offering Price and Description:
Series A, Series B, Series F, Series T5, Series T8, Series S5, Series S8, Series F5, Series and F8 Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
FIDELITY INVESTMENTS CANADA ULC
Project #2260459

Issuer Name:
Greystone Canadian Bond Fund
Lazard Global Balanced Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated September 12, 2014
NP 11-202 Receipt dated September 16, 2014
Offering Price and Description:
Class A, Class F, Class K, Class L, Class M and Class I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Brandes Investment Partners & Co.
Project #2260157

Issuer Name:
Lumenpulse Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated September 22, 2014
NP 11-202 Receipt dated September 22, 2014
Offering Price and Description:
$66,459,978.00 - 3,408,204 Common Shares
Price: $19.50 per Common Share
Underwriter(s) or Distributor(s):
CANACCORD GENUITY CORP.
NATIONAL BANK FINANCIAL INC.
BMO NESBITT BURNS INC.
SCOTIA CAPITAL INC.
RAYMOND JAMES LTD.
Promoter(s):
-
Project #2260545

Issuer Name:
POCML 3 Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated September 17, 2014
NP 11-202 Receipt dated September 18, 2014
Offering Price and Description:
$300,000 - 2,000,000 Common Shares
Price : $0.15 per Common Share
Underwriter(s) or Distributor(s):
DUNDEE SECURITIES LTD.
Promoter(s):
-
Project #2260731

Issuer Name:
Standard Life Aggressive Portfolio
Standard Life Balanced Fund
Standard Life Canadian Bond Fund
Standard Life Canadian Equity Fund
Standard Life Canadian Equity Growth Fund
Standard Life Canadian Equity Value Fund
Standard Life Conservative Portfolio
Standard Life Diversified Income Fund
Standard Life Dividend Growth & Income Portfolio
Standard Life Dividend Income Fund
Standard Life European Equity Fund
Standard Life Global Portfolio
Standard Life Growth Portfolio
Standard Life International Bond Fund
Standard Life International Equity Fund
Standard Life Moderate Portfolio
Standard Life Money Market Fund
Standard Life Short Term Bond Fund
Standard Life Tactical Bond Fund
Standard Life Tactical Income Fund
Principal Regulator - Quebec
Type and Date:
Preliminary Simplified Prospectuses dated September 10, 2014
NP 11-202 Receipt dated September 16, 2014
Offering Price and Description:
F-Series
Underwriter(s) or Distributor(s):
-
Promoter(s):
Standard Life Mutual Funds Ltd
The Standard Life Assurance Company of Canada
Project #2260050

Issuer Name:
Bioniche Life Sciences Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated September 15, 2014
NP 11-202 Receipt dated September 16, 2014
Offering Price and Description:
$5,014,000.00
21,800,000 UNITS
Price: $0.23 per Unit
Underwriter(s) or Distributor(s):
DUNDEE SECURITIES LTD.
CLARUS SECURITIES INC.
EURO PACIFIC CANADA INC.
Promoter(s):
-
Project #2247737

Issuer Name:
Boyd Group Income Fund
Principal Regulator - Manitoba
Type and Date:
Final Short Form Prospectus dated September 22, 2014
NP 11-202 Receipt dated September 22, 2014
Offering Price and Description:
$50,015,350.00
1,181,000 Units
and
$50,000,000.00
5.25% Convertible Unsecured Subordinated Debentures
Due October 31, 2021
$1,000 per Debenture
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Cormark Securities Inc.
CIBC World Markets Inc.
GMP Securities L.P.
Laurentian Bank Securities Inc.
Scotia Capital Inc.
Octagon Capital Corporation
Promoter(s):
-
Project #2259736

Issuer Name:
Chou Asia Fund
Chou Associates Fund
Chou Bond Fund
Chou Europe Fund
Chou RRSP Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated September 14, 2014
NP 11-202 Receipt dated September 17, 2014
Offering Price and Description:
Series A and F units @ net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2243983

Issuer Name:
Dividend 15 Split Corp. II
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated September 17, 2014
NP 11-202 Receipt dated September 18, 2014
Offering Price and Description:
Maximum: $23,500,000 - 2,350,000 Preferred Shares
$20,562,500 - 2,350,000 Class A Shares
Price: $10.00 per Preferred Share and $8.75 per Class A Share
Underwriter(s) or Distributor(s):
NATIONAL BANK FINANCIAL INC.
CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
BMO NESBITT BURNS INC.
GMP SECURITIES L.P.
CANACCORD GENUITY CORP.
RAYMOND JAMES LTD.
Promoter(s):
-
Project #2258675

Issuer Name:
Dynamic U.S. Sector Focus Class
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated September 19, 2014
NP 11-202 Receipt dated September 22, 2014
Offering Price and Description:
Series A, E, F, FH, FI, H and O Shares
Underwriter(s) or Distributor(s):
1832 Asset Management L.P.
Promoter(s):
1832 Asset Management L.P.
Project #2243199

Issuer Name:
Horizons S&P/TSX 60 Equal Weight Index ETF (formerly Horizons AlphaPro S&P/TSX 60 Equal Weight Index ETF)
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 10, 2014 to Final Long Form Prospectus dated January 29, 2014
NP 11-202 Receipt dated September 16, 2014
Offering Price and Description:
Exchange Traded Fund at Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
ALPHAPRO MANAGEMENT INC.
Project #2147988

Issuer Name:
Mosaic Capital Corporation
Principal Regulator - Alberta
Type and Date:
Final Base Shelf Prospectus dated September 19, 2014
NP 11-202 Receipt dated September 19, 2014
Offering Price and Description:
$200,000,000.00
Common Shares
Preferred Shares
Warrants
Preferred Securities
Debt Securities
Subscription Receipts
Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #2259748

Issuer Name:
North American Preferred Share Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 11, 2014 to the Short Form Prospectus dated May 5, 2014
NP 11-202 Receipt dated September 19, 2014
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Propel Capital Corporation
Project #2193167

Issuer Name:
North American REIT Income Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 11, 2014 to the Short Form Prospectus dated May 5, 2014
NP 11-202 Receipt dated September 19, 2014
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Propel Capital Corporation
Project #2193157

Issuer Name:
NorthWest International Healthcare Properties Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated September 16, 2014
NP 11-202 Receipt dated September 16, 2014
Offering Price and Description:
$35,000,000.00
7.25% Convertible Unsecured Subordinated Debentures
Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
NATIONALBANK FINANCIAL INC.
GMP SECURITIES L.P.
BMO NESBITT BURNS INC.
CANACCORD GENUITY CORP.
SCOTIA CAPITALINC.
DUNDEE SECURITIES LTD.
RAYMOND JAMES LTD.
MANULIFE SECURITIES INCORPORATED
DESJARDINS SECURITIES INC.
LAURENTIAN BANK SECURITIES INC.
MACKIE RESEARCH CAPITAL CORPORATION
ALL GROUP FINANCIAL SERVICES INC.
Promoter(s):
-
Project #2257627

Issuer Name:
Pine Cliff Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated September 18, 2014
NP 11-202 Receipt dated September 18, 2014
Offering Price and Description:
$60,065,000.00
29,300,000 COMMON SHARES
Price: $2.05 per Offered Share
Underwriter(s) or Distributor(s):
FIRSTENERGY CAPITAL CORP.
GMP SECURITIES L.P.
HAYWOOD SECURITIES INC.
CLARUS SECURITIES INC.
PARADIGM CAPITAL INC.
CANACCORD GENUITY CORP.
NATIONAL BANK FINANCIAL INC.
ALTACORP CAPITAL INC.
JENNINGS CAPITAL INC.
SCOTIA CAPITAL INC.
Promoter(s):
-
Project #2257058

Issuer Name:
PrairieSky Royalty Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated September 19, 2014
NP 11-202 Receipt dated September 19, 2014
Offering Price and Description:
$2,562,300,000.00
70,200,000 Common Shares
Price: $36.50 per Common Share
Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
RBC Dominion Securities Inc.
Scotia Bank Inc.
Credit Suisse Securities Canada Inc.
National Bank Financial Inc.
Barclays Capital Canada Inc.
Citigroup Global Markets Canada Inc.
Goldman Sachs Canada Inc.
J.P. Morgan Securities Canada Inc.
Merrill Lynch Canada Inc.
Morgan Stanley Canada Limited
Firstenergy Capital Corp.
Peters & Co. Limited
Altacorp. Capital Inc.
Desjardins Securities Inc.
GMP Securities L.P.
Promoter(s):
Encana Corporation
Project #2258491

Issuer Name:
Senior Secured Floating Rate Loan Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated September 11, 2014 to the Short Form Prospectus dated May 5, 2014
NP 11-202 Receipt dated September 19, 2014
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Propel Capital Corporation
Project #2193164

Issuer Name:
SENTRY GROWTH PORTFOLIO
(Series A, Series P, Series F, Series PF, Series I, Series T4, Series T6, Series FT4 and Series FT6 securities)
SENTRY GROWTH AND INCOME PORTFOLIO
(Series A, Series P, Series F, Series PF, Series I, Series T4, Series T6, Series FT4 and Series FT6 securities)
SENTRY INCOME PORTFOLIO
(Series A, Series P, Series F, Series PF, Series I, Series T5, Series T7, Series FT5 and Series FT7 securities)
SENTRY CONSERVATIVE INCOME PORTFOLIO
(Series A, Series P, Series F, Series PF, Series I, Series T5, Series T7, Series FT5 and Series FT7 securities)
(Class of shares of Sentry Corporate Class Ltd.)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated September 15, 2014
NP 11-202 Receipt dated September 16, 2014
Offering Price and Description:
Series A, Series P, Series F, Series PF, Series I Series T4, Series T5, Series T6, Series FT4, Series FT5, Series FT6 and Series FT7 securities
Underwriter(s) or Distributor(s):
Sentry Investments Inc.
Promoter(s):
SENTRY INVESTMENTS INC.
Project #2240298

Issuer Name:
Stone & Co. Dividend Growth Class Canada* (Series A, B, C, F, L, T8A, T8B and T8C Shares)
Stone & Co. Resource Plus Class* (Series A, B, C, F and L Shares)
*Classes of Mutual Fund Shares of Stone & Co. Corporate Funds Limited
Stone & Co. Flagship Growth & Income Fund Canada (Series L, AA, BB, CC, FF, T8A, T8B and T8C Units)
Stone & Co. Flagship Stock Fund Canada (Series A, B, C, F, L, T8A, T8B and T8C Units)
Stone & Co. Flagship Global Growth Fund (Series A, B, C, F, L, T8A, T8B and T8C Units)
Stone & Co. Growth Industries Fund (Series A, B, C, F and L Units)
Stone & Co. Flagship Money Market Fund Canada (Series A, B, C and L Units)
Stone & Co. Europlus Dividend Growth Fund (Series A, B, C, F, L, T8A, and T8B Units)
Principal Regulator - Ontario
Type and Date:

Amended and Restated Simplified Prospectuses and Annual Information Form dated September 12, 2014 (the amended prospectus) amending and restating the Simplified Prospectuses and Annual Information Form dated August 28, 2014
NP 11-202 Receipt dated September 17, 2014
Offering Price and Description:
Mutual Fund Shares in Series A, Series B, Series C, Series F, Series L, Series T8A, Series T8B and Series T8C @ net asset value
Mutual Fund Units in Series A, Series B, Series C, Series F, Series L, Series AA, Series BB, Series CC, Series FF, Series T8A, Series T8B and Series T8C @ net asset value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Stone Asset Management Limited
Stone & Co. Corporate Funds Limited
Stone & Co. Limited
Project #2236442

Issuer Name:
Tamarack Valley Energy Ltd.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated September 19, 2014
NP 11-202 Receipt dated September 19, 2014
Offering Price and Description:
$115,115,000.00
16,100,000 Subscription Receipts
each representing the right to receive one Common Share
Price: $7.15 per Subscription Receipt
Underwriter(s) or Distributor(s):
DUNDEE SECURITIES LTD.
NATIONAL BANK FINANCIAL INC.
MACQUARIE CAPITAL MARKETS CANADA LTD.
GMP SECURITIES L.P.
CLARUS SECURITES INC.
PETERS & CO. LIMITED
RBC DOMINION SECURITIES INC.
ALTACORP CAPITAL INC.
Promoter(s):
-
Project #2257637

Issuer Name:
The Trendlines Group Ltd.
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated September 18, 2014
NP 11-202 Receipt dated September 19, 2014
Offering Price and Description:
C$9,500,000.00
2,638,889 Ordinary Shares
Price: C$3.60
per Ordinary Share
Underwriter(s) or Distributor(s):
OCTAGON CAPITAL CORPORATION
EURO PACIFIC CANADA INC.
PARADIGM CAPITAL INC.
M PARTNERS INC.
Promoter(s):
-
Project #2221721

Issuer Name:
WesternOne Inc.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated September 18, 2014
NP 11-202 Receipt dated September 18, 2014
Offering Price and Description:
$35,000,000.00
4,375,000 Common Shares
Price: $8.00 per Offered Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
National Bank Financial Inc.
Raymond James Ltd.
BMO Nesbitt Burns Inc.
Dundee Securities Ltd.
Scotia Capital Inc.
GMP Securities L.P.
HSBC Securities (Canada) Inc.
Burgeonvest Bick Securities Limited
Promoter(s):
-
Project #2259773

Issuer Name:
Immunotec Inc.
Principal Jurisdiction - Quebec
Type and Date:
Preliminary Short Form Prospectus dated July 2, 2014
Withdrawn on September 17, 2014
Offering Price and Description:
Maximum Offering: $15,000,000 - Minimum Offering: $7,000,000 Up to * Common Shares
Price: $* per Common Share
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
Euro Pacific Canada Inc.
Industrial Alliance Securities Inc.
Promoter(s):
-
Project #2230592

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Change in Registration Category	HR Strategies Inc.	From: Exempt Market Dealer, Portfolio Manager and Investment Fund Manager to To: Exempt Market Dealer, Portfolio Manager, Investment Fund Manager and Commodity Trading Manager	September 18, 2014
Voluntary Surrender of Registration	GIC Financial Services Inc.	Mutual Fund Dealer	September 22, 2014
Consent to Suspension (Pending Surrender)	Seven Seas Capital Management Inc.	Exempt Market Dealer, Portfolio Manager and Investment Fund Manager	September 22, 2014

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Chapter 13

SROs, Marketplaces, Clearing Agencies and Trade Repositories

13.2 Marketplaces

13.2.1 CHI-X Canada ATS and CX2 Canada ATS – Notice of Commission Approval of Proposed Changes

CHI-X CANADA ATS AND CX2 CANADA ATS

NOTICE OF COMMISSION APPROVAL OF PROPOSED CHANGES

On September 17, 2014, the Commission approved changes proposed by Chi-X Canada ATS Limited, applicable to both Chi-X Canada ATS and CX2 Canada ATS, to introduce a new option as part of the No-Self Cross Feature offered as part of the Chi-Controls Risk Management Suite. Subscribers will be able to select to have fill reports received for both orders without having a trade be reported on the public feed.

Although the Commission has approved the proposed changes, specific functionality related to the application of this feature across multiple dealers is under review, and is not to be used until OSC approval has been provided. We are proceeding with approval of the proposed changes in recognition of the importance of preventing wash trades in ensuring market integrity, and recognizing that certain marketplace service features can be effective tools for assisting dealers in meeting their obligations in this regard.

A notice requesting feedback on the proposed change was published on the OSC website and in the OSC Bulletin on May 15, 2014 at (2014), 37 OSCB 5067. No comments were received.

Chi-X Canada ATS Limited is expected to publish a notice indicating the intended implementation date of the approved changes.

13.2.2 TSX Inc. – Notice of Withdrawal – Dark Midpoint Orders – Minimum Quantity

TSX INC.

NOTICE OF WITHDRAWAL

DARK MIDPOINT ORDERS – MINIMUM QUANTITY

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 and the Exhibits thereto (the "Protocol") in Schedule 10 of the Ontario Securities Commission ("OSC") Recognition Order (the "Recognition Order") recognizing Toronto Stock Exchange ("TSX") as an exchange, TSX has withdrawn the Notice of Proposed Changes and Request for Comments published on May 1, 2014 in relation to the Minimum Quantity instruction for the Dark Midpoint order type.

13.2.3 TriAct Canada Marketplace LP – Notice of Proposed Changes and Request for Comment – Change to the MATCH Now Trading System

TRIACT CANADA MARKETPLACE LP
NOTICE OF PROPOSED CHANGES AND REQUEST FOR COMMENT
CHANGE TO THE MATCH NOW TRADING SYSTEM

TriAct Canada Marketplace LP ("TriAct") has announced plans to implement the change described below on or about approval. TriAct is publishing this Notice of Proposed Changes in accordance with the "Process for the Review and Approval of Rules and the Information Contained in Form 21-101F2 and the Exhibits Thereto". Market participants are invited to provide the Commission with comment on the proposed change.

Feedback on the proposed changes should be in writing and submitted by **October 27, 2014** to:

Market Regulation Branch
Ontario Securities Commission
22nd Floor
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
e-mail: marketregulation@osc.gov.on.ca

And to:
Torstein Braaten
Chief Compliance Officer
TriAct Canada Marketplace LP
The Exchange Tower
130 King Street West, Suite 1050
Toronto, Ontario M5X 1B1
Fax: (416) 368-9148
e-mail: Torstein.Braaten@triactcanada.com

Feedback received will be made public on the OSC website. Upon completion of the review by OSC staff, and in the absence of any regulatory concerns, notice will be published to confirm the completion of Commission staff's review and to outline the intended implementation date of the changes.

If you have any questions concerning the information below please contact Torstein Braaten Chief Executive Officer and Chief Compliance Officer for TriAct Canada Marketplace LP at 416-874-0919.

A. Description of Changes to the MATCH Now Trading System

TriAct is proposing one change to the MATCH Now trading system which are as follows:

- To expand the existing No Self Trade feature for orders across multiple Subscribers

Expand "No Self Trade" across Subscribers,

TriAct plans to allow multiple Subscribers to set the No Self Trade feature on multiple UMIR Trader IDs that represent the same beneficial owner. The buy-side institution will instruct their Investment Dealers, who are also Subscribers to MATCH Now, that they want to set the No Self Trade feature on MATCH Now. Those Subscribers will subsequently instruct MATCH Now in writing which UMIR Trader IDs represent their client. TriAct will provide a standardized form for all parties to approve. This ensures that the designated UMIR Trader IDs belong to the same beneficial owner. The No Self Trade feature[1] on MATCH Now will then apply to those UMIR Trader IDs irrespective of which Subscriber sends the order in the same manner as the feature approved on March 30, 2012. Triact's No Self Trade feature suppresses trades from the MATCH Now matching algorithm where orders on both sides of the trade are from the same beneficial owner and therefore these orders should be excluded from matching with each other. The orders continue to remain in force and can execute with other counterparties or be routed to other venues for execution. MATCH Now does not cancel, amend or reject any of the orders that are set with the No Self Trade feature.

[1] See Notice of Proposed Changes and Request for Feedback: TriAct Canada Marketplace LP – No Self-Trade Feature dated February 10. 2012 http://www.osc.gov.on.ca/en/Marketplaces_ats_20120210_rfc-pro-changes.htm

B. Expected Implementation Date

The No Self Trade feature being applied across Subscribers does not require any coding changes to the MATCH Now trading system. The No Self Trade feature is configured by TriAct support staff into the MATCH Now trading system. TriAct does not believe this is a material systems change requiring a notice period for testing. The No Self Trade feature is currently available for testing by Subscribers. TriAct plans to make the No Self Trade feature available to Subscribers upon publication of regulatory approval.

C. Rationale for proposed Change:

Expand No Self Trade Across Subscribers,

Many buy-side institutions use multiple investment dealers for trade execution. These same buy-side institutions would like to avoid unintentional wash trades irrespective of how their orders were entered by the same investment dealer or if by different investment dealers. With recent regulatory changes that require a separate UMIR Trader IDs for each Direct Electronic Access client it is possible to allow a marketplace to prevent wash trades from happening when they are notified which UMIR Trader IDs are for the same beneficial owner. TriAct is not taking any discretion with the handling of the orders but is clearly in a better situation than the multiple dealers to prevent such wash trades. Since inception MATCH Now has suppressed the public reporting of unintentional crosses between two inventory accounts from the same Subscriber. These inventory trades continue to be reported as a trade back to the Subscriber to allow for internal security journal between the inventory accounts. The No Self Trade feature takes the next step of preventing an unintentional wash trade from occurring without cancelling or amending any orders sent by Subscribers. These orders can continue to interact with contra liquidity or route to another marketplace for execution. Ultimately the ideal situation is for these orders to be netted at the source or Subscriber before sending to a marketplace. As market structure and trading strategies continue to get more complex TriAct takes the view that if a wash trade can be avoided it should be avoided.

D. The expected Impact of the proposed significant change on market structure for Subscribers, Investors and capital markets:

TriAct does not expect the use of the No Self Trade feature across subscribers to have any significant impact on the Canadian Market Structure. The feature will however provide buy-side institutions the ability to avoid executing a wash trade on MATCH Now without changing any work flow or current routing practices. The No Self Trade feature provides an extra level of technology to prevent unintentional wash trades.

E. Expected impact of the significant changes on TriAct's compliance with Ontario securities law and the requirements of fair access and the maintenance of a fair and orderly market:

We foresee no negative impact to Fair Access for any of the proposed changes. The proposed change is available to all Subscribers and by extension available to all of their customers. This change does not restrict access by any class of investor or type of Subscriber. In addition, the way this change is implemented it introduces no new technology to Subscribers.

F. Will the significant change require Subscribers and service vendors to modify their systems after implementation of the change

TriAct believes the technology impact of the proposed changes will be minor for Subscribers, investors, vendors and the Canadian capital markets. The way this change is implemented, it introduces no new technology to Subscribers.

G. Do the significant changes currently exist on other Canadian marketplaces

Other marketplaces offer self-trade prevention in various formats. Self-trade prevent across brokers is the next logical evolution of this product.

13.2.4 TSX – Notice of Approval – Amendments to Part VI of the TSX Company Manual

TORONTO STOCK EXCHANGE

NOTICE OF APPROVAL

AMENDMENTS TO PART VI OF THE
TORONTO STOCK EXCHANGE ("TSX") COMPANY MANUAL

(SEPTEMBER 25, 2014)

Introduction

In accordance with the Process for the Review and Approval of Rules and the Information Contained in Form 21-101F1 for recognized exchanges, Toronto Stock Exchange ("**TSX**") has adopted, and the Ontario Securities Commission ("**OSC**") has approved, amendments (the "**Amendments**") to Part VI of the TSX Company Manual (the "**Manual**"). The Amendments are public interest rule amendments to the Manual. The Amendments were published for public comment in a request for comments on November 28, 2013 ("**Request for Comments**").

Reasons for the Amendments

A. SECTION 611 – ACQUISITIONS:

Background

Section 613 of the Manual provides that any security based compensation arrangement (an "Arrangement") adopted by a listed issuer must be approved by its security holders.

There are two exceptions from this general rule[1]:

1. Under Subsection 613(c) of the Manual, listed issuers can provide an Arrangement as an inducement for employment to an officer, provided that the number of securities issuable does not exceed 2% of the issued and outstanding securities over a 12-month period under such exemption. To qualify for this exception, the proposed officer cannot previously have been employed, and cannot previously been an insider, of the listed issuer.

2. Under Subsection 611(e) of the Manual, listed issuers may assume an Arrangement of a target issuer in the context of an acquisition. In this instance, the number of securities issuable under such Arrangement will be taken into account to determine whether security holder approval is required for the acquisition pursuant to Subsection 611(c) of the Manual.

Rationale for the Amendments to Section 611

The current regime provides that existing options, awards and entitlements under an Arrangement of a target issuer may continue following the completion of an acquisition of the target issuer by the listed issuer without the listed issuer having to seek security holder approval. Where a listed issuer assumes an Arrangement of a target issuer, it has been TSX practice to only allow such securities to be issued for awards outstanding at the time of the acquisition and for no other purpose. Accordingly, new awards may not be granted and any cancelled awards may not be re-allocated to any other participant or be used for any other purpose.

Listed issuers have, from time to time, requested additional flexibility to adopt Arrangements for employees of a target issuer in the context of an acquisition. For example, certain listed issuers have requested the ability to provide new incentives to employees of a target issuer as a retention mechanism in the context of an acquisition without requiring security holder approval. Listed issuers have submitted that certain Arrangements are being made and adopted as an integral part of acquisitions to retain employees of the target issuer. In such instance, they further submit that the issuance of securities to employees should be considered part of the acquisition cost.

On a discretionary basis, TSX has permitted such Arrangements, taking into consideration that: i) the Arrangement resulted in dilution of no more than 2% ii) such additional dilution was ultimately taken into account to determine whether security holder approval was required for the acquisition; iii) the Arrangement was for the benefit of individuals who are neither insiders of, nor previously employed by, the listed issuer; and iv) the ability to retain employees of the target company is a key component and an integral part of the acquisition and its success.

[1] In addition, pursuant to Subsection 602 (g) of the Manual, interlisted issuers may, in certain circumstances, be exempted from the requirements set out in Section 613 of the Manual (security based compensation arrangements).

TSX is proposing the Amendments to Section 611 for transparency and to formalize this exemption. We believe that the Amendments strike the proper balance between flexibility for listed issuers and preserving the quality of the marketplace for the following reasons:

1. The dilution is limited since the number of securities issuable will be capped at 2% of the issued and outstanding securities on a non-diluted basis. This limit on dilution is consistent with the exemption under Subsection 613(c) that is available to listed issuers which allows the adoption of Arrangements as employment inducements for officers;

2. The number of additional securities issuable under such Arrangements will be included in determining whether security holder approval is required for the transaction as a result of dilution exceeding 25%. For example, if the number of securities that are issued in consideration for an acquisition of assets results in dilution of 24.2% for the listed issuer, an Arrangement adopted for the employees of the target issuer resulting in 2% dilution will result in aggregate dilution of 26.2% and the transaction will therefore require shareholder approval; and

3. The exemption provided by the Amendments is only available for Arrangements adopted for persons who are employees of a company being acquired by a listed issuer. Employees and insiders of the listed issuer are prohibited from participating in Arrangements adopted in such circumstances. As a result, the exemption provided by the Amendments cannot be used to circumvent the general requirement that listed issuers obtain security holder approval for Arrangements pursuant to Section 613 of the Manual.

Summary of the Amendments to Section 611

The Amendments to Section 611 will allow listed issuers to adopt Arrangements for employees of a target issuer in the context of an acquisition without security holder approval, provided that the number of securities issuable under such Arrangement does not exceed 2% and the issuance of securities in connection with the acquisition (including any related Arrangement) does not exceed 25% of the number of issued and outstanding securities. While the securities issuable are exempt from obtaining security holder approval under Subsection 613(a) of the Manual, they can only benefit employees of the target issuer and cannot be re-allocated or used in respect of any other Arrangement by the listed issuer. Newly adopted Arrangements may only be created in conjunction with an acquisition of a target issuer, whether or not such acquisition entails the issuance of listed securities.

The Amendments also clarify that the securities issuable to insiders under an Arrangement are included in determining whether security holder approval for an acquisition, on a disinterested basis, is required, as provided in Subsection 611(b) of the Manual.

Notwithstanding that the assumption of awards of a target issuer or the creation of an Arrangement for the employees of a target issuer may be exempt from security holder approval, such awards will: i) be subject to the annual disclosure requirements of Subsection 613(g) of the Manual; ii) count towards dilution incurred as a result of security based compensation arrangements; and iii) be considered in the insider participation limit. For greater clarity, Subsection 613(g) has also been amended to state that Arrangements created as part of an acquisition under Section 611 must be included in the annual disclosure requirements under Subsection 613(g).

B. SECTION 626 – BACKDOOR LISTINGS

Background

All issuers applying to list on TSX must meet the original listing requirements set out in Part III of the Manual, regardless of the means by which they become public (initial public offering, listing from another market, backdoor listing, etc.). Section 626 of the Manual provides that a transaction resulting in the acquisition of a TSX-listed issuer by an unlisted entity is to be considered as a backdoor listing (also called a reverse takeover or reverse merger by other stock exchanges) and the entity resulting from the transaction (or the unlisted entity) must meet TSX original listing requirements. Section 626 allows TSX to support investor protection and to maintain the integrity of its stock list by ensuring that all issuers meet the original listing requirements in order to list on TSX.

Section 626 of the Manual currently provides that the following two factors must both be present in order for a transaction to be considered a backdoor listing:

1. The transaction will or could result in the existing security holders of the listed issuer holding less than 50% of the securities or voting power in the entity resulting from the transaction. That is, the transaction will or could result in more than 100% dilution, taking into account the securities issuable pursuant to the transaction and including securities issuable pursuant to a concurrent private placement.

2. The transaction must result in a change in effective control of the listed issuer. TSX has generally applied the definition of "materially affect control"[2] contained in the Manual in making this determination.

Section 626 complements the "Change in Business" provisions in Section 717 of the Manual which state that listed issuers substantially discontinuing their business or materially changing the nature of their business will normally be required to meet original listing requirements. The principal difference between the provisions is that Section 626 is only engaged when there is an issuance of securities while Section 717 can also be triggered by transactions such as asset sales or significant cash acquisitions.

Where a listed issuer contemplates a transaction which could result in excess of 100% dilution, security holder approval may be required on the following bases: i) dilution exceeding 25% as a result of an acquisition (Section 611 of the Manual); ii) dilution exceeding 25% as a result of a private placement (Section 607 of the Manual); and/or iii) the transaction materially affecting control of the issuer (Section 604 of the Manual). Therefore, the principal issue raised in Section 626 is whether the entity resulting from the transaction (or the unlisted entity) will be required to meet original listing requirements. Section 626 also requires that security holder approval must be obtained at a meeting of security holders, and not in writing, as may otherwise be permitted under Section 604(d) of the Manual in certain circumstances.

Rationale for the Amendments to Section 626

In the last few years, there have been transactions that have effectively resulted in the acquisition of a TSX-listed issuer by an unlisted entity with significant dilution (in excess of 100%) but without an accompanying change in effective control, as currently defined and applied by TSX. For example, this may happen where the unlisted entity is widely held or where there is a concurrent offering diluting the security holders of the unlisted entity. Therefore, Section 626 may not always adequately meet its intent as there may be transactions where unlisted entities use TSX-listed issuers to go public without having to meet original listing requirements, unless TSX exercises its discretion to apply its backdoor listing requirements.

The Amendments are being proposed to clarify drafting and more fully and transparently support the policy objectives of the rules for backdoor listings. We believe that transactions resulting in the listing of an issuer not previously listed on the exchange should be closely scrutinized and should generally be required to meet original listing requirements. The application of Section 626 is important to support investor protection, and to ensure the quality of listed issuers and of the marketplace. The Amendments will broaden the scope of transactions that may be considered as backdoor listings by taking into account a variety of factors, in addition to taking a more comprehensive view of dilution by including all securities issued in a concurrent financing, whether by way of private placement or public offering.

However, we are mindful that there may be highly dilutive acquisitions that do not result in a need to meet original listing requirements. We will continue to require shareholder approval for dilutive transactions which do not constitute backdoor listings. We believe that the Amendments will provide appropriate and meaningful factors that will distinguish backdoor listings from such highly dilutive acquisitions.

In accordance with the exercise of its discretion under Section 603, TSX may determine not to consider a transaction as a backdoor listing, notwithstanding that existing security holders of the listed issuer will own less than 50% of the securities or voting power of the entity resulting from the transaction. In such instance, TSX must be satisfied that the transaction should not be regarded as a backdoor listing, having regard to all relevant factors.

The distinguishing factors to be considered include the business of the listed issuer and of the unlisted entity, the relative sizes of the listed issuer and the unlisted entity, changes to management (including the board of directors), as well as changes in voting power, security ownership, name changes and capital structure, among other factors that may be relevant in the particular circumstances. These factors do not constitute bright line tests and will be assessed both individually and collectively in determining whether a transaction results in a backdoor listing. Listed issuers will have the opportunity to make detailed submissions as to whether a transaction should be considered a backdoor listing and (if applicable) how the resulting entity will meet TSX original listing requirements.

Summary of the Amendments to Section 626

The Amendments to Section 626 are intended to better define backdoor listings to help support investor protection and preserve the quality of the stock list and the quality of the marketplace as follows:

[2] "**materially affect control**" means the ability of any security holder or combination of security holders acting together to influence the outcome of a vote of security holders, including the ability to block significant transactions. Such ability will be affected by the circumstances of a particular case, including the presence or absence of other large security holdings, the pattern of voting behaviour by other holders at previous security holder meetings and the distribution of the voting securities. A transaction that results, or could result, in a new holding of more than 20% of the voting securities by one security holder or combination of security holders acting together will be considered to materially affect control, unless the circumstances indicate otherwise. Transactions resulting in a new holding of less than 20% of the voting securities may also materially affect control, depending on the circumstances outlined above.

1. We propose to consider a series of factors in determining whether there is a backdoor listing. These factors include, but are not limited to, the business of the listed issuer and the unlisted entity, changes in management (including the board of directors), voting power, security ownership, name changes and the capital structure of the listed issuer. We believe that these factors are all relevant indicia of whether a transaction results in an unlisted entity becoming listed by acquiring a listed issuer.

2. The Amendments clarify the discretion of TSX to consider a variety of relevant factors when determining whether a transaction constitutes a backdoor listing.

3. The Amendments to Section 626 clarify the drafting of the definition of a "backdoor listing".

4. In assessing whether the transaction will or could result in the existing security holders of the listed issuer holding less than 50% of the securities or voting power in the entity resulting from the transaction, and in assessing the various factors set out in Subsection 626(b), TSX will take into account securities issued or issuable upon a concurrent financing, whether it is by way of private placement or public offering (rather than only by private placement).

Summary of the Final Amendments

TSX received one (1) comment letter in response to the Request for Comments and this comment letter was limited to comments on the Amendments to Section 626. A summary of the comment submitted, together with TSX's response, is attached as **Appendix A**.

TSX thanks the commenter for its feedback.

The Amendments have been updated to remove the reference in Section 626 to TSX's discretion to exempt a transaction that would result in security holders owning less than 50% of the securities or voting power of the entity resulting from the transaction from being a backdoor listing. Instead, TSX will rely on its exercise of discretion under Section 603 to exempt such a transaction. In such instance, TSX must be satisfied that the transaction should not be regarded as a backdoor listing, having regard to all relevant factors.

For clarity, TSX has also amended Subsection 613(g) to state that security based compensation arrangements, including those assumed or created by a listed issuer as part of an acquisition, are required to be disclosed on an annual basis in the listed issuer's information circular or other disclosure document distributed to other security holders.

Since the publication of the Request for Comments, TSX has also made certain other non-material revisions to the drafting of the Amendments.

A blackline of the Amendments showing changes made since they were published in the Request for Comments is attached as **Appendix B**.

Text of the Amendments

The final Amendments are attached as **Appendix C**.

Effective Date

The Amendments will become effective for listed issuers on October 1, 2014 (the "**Effective Date**").

APPENDIX A

SUMMARY OF COMMENTS AND RESPONSES

PART VI – SECTIONS 611 AND 626

List of Commenters:

The Canadian Advocacy Council for Canadian CFA Institute Societies (CAC)	

Capitalized terms used and not otherwise defined in the Notice of Approval shall have the meaning in the TSX Request for Comments – Amendments to Toronto Stock Exchange Company Manual dated November 28, 2013.

The summary is found on the following page.

Summarized Comments Received	*TSX Response*
1. When determining whether a transaction constitutes a backdoor listing, should any special consideration be given to circumstances where the listed issuer will develop a significant connection to an emerging market jurisdiction (e.g. mind and management or principal active operations) as a result of such transaction? If so, how?	
Commenter agrees that if a significant connection to an emerging market jurisdiction is identified, it should be a factor in determining whether the transaction constitutes a backdoor listing. The commenter believes that the following additional factors should be considered in the case of an emerging market connection: a) Whether significant shareholders and/or the CEO of the new entity are located outside of Canada; b) The proportion of assets and operations of the new entity located in a jurisdiction outside of Canada, compared to the previously listed entity; c) Whether there are restrictions on the repatriation of profits back to Canada and any other currency movement restrictions; and d) If the new entity changes auditors, whether the new auditor is located in Canada or in another jurisdiction whose laws permit the auditor to provide all audit work to Canadian regulators upon request. The risk of the resulting issuer not being domiciled in a jurisdiction with a robust financial reporting regime or where access to records and financial reports is difficult should be considered.	TSX agrees that a significant emerging market connection arising as a result of a transaction may warrant additional consideration in determining whether the transaction constitutes a backdoor listing. The Amendments to Section 626 state that TSX will consider a wide variety of factors in making its determination, of which a new significant emerging market connection may be one such factor.

APPENDIX B

BLACKLINE OF THE FINAL AMENDMENTS

SECTION 611

Acquisitions

~~**Section 611**~~

(a) Where a listed issuer proposes to issue securities as full or partial consideration for property (which may include securities or assets) purchased from an insider of the listed issuer, TSX may require that documentation such as an independent valuation or engineer's report be provided.

(b) Security holder approval will be required in those instances where the number of securities issued or issuable to insiders as a group, together with any securities issued or made issuable to insiders as a group for acquisitions during the preceding six months, in payment of the purchase price for an acquisition exceeds 10% of the number of securities of the listed issuer which are outstanding on a non-diluted basis, prior to the date of closing of the transaction. Insiders receiving securities pursuant to the transaction are not eligible to vote their securities in respect of such approval.

(c) Subject to Subsection 611(d), security holder approval will be required in those instances where the number of securities issued or issuable in payment of the purchase price for an acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis.

[…]

(e) Where an acquisition by a listed issuer includes the assumption of security based compensation arrangements of a target issuer or the creation of security based compensation arrangements for employees of a target issuer as a result of the acquisition, securities issuable under such arrangements will be included in the securities issued or issuable for the purposes of the security holder approval requirement in Subsection 611(b) and (c). For the purpose of this Section 611, the assumption of security based compensation arrangements includes: i) a direct assumption of security based compensation arrangements of the target issuer; and ii) the cancellation of security based compensation arrangements of the target issuer and their replacement with arrangements of the listed issuer.

(f) Subsection 613(a) does not apply where an acquisition by a listed issuer includes: i) the assumption of security based compensation arrangements of a target issuer if the number of assumed securities (and their exercise or subscription price, if applicable) is adjusted in accordance with the price per acquired security payable by the listed issuer; and ii) the creation of security based compensation arrangements for employees of a target issuer if the aggregate number of securities issuable does not exceed 2% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction, and such employees are not insiders or employees of the listed issuer prior to the acquisition.

(g) In calculating the number of securities issued or issuable in payment of the purchase price for an acquisition, any securities issued or issuable upon a concurrent private placement upon which the acquisition is contingent or otherwise linked will be included.

[…]

~~**BACKDOOR LISTINGS**~~

Section 613(g)

[…]

(g) Listed issuers must disclose on an annual basis, in their information circulars, or other annual disclosure document distributed to all security holders, the terms of their security based compensation arrangements and any amendments that were adopted in the last fiscal year (this includes amendments to individual security agreements and amendments to security based compensation arrangements including, in both instances, those assumed or created by the listed issuer ~~through~~ as part of an acquisition). The information circular must provide disclosure in respect of each of the items in Section 613(d), as of the date of the circular, as well as the nature of the amendments adopted in the last fiscal year, including whether or not (and if not, why not) security holder approval was obtained for the amendment.

[…]

SECTION 626

Backdoor Listings

A “backdoor listing” occurs when a transaction results in the acquisition of a listed issuer by an entity not currently listed on TSX. The transaction may be a series of transactions and may take one of a number of forms, including an issuance of securities for assets, an amalgamation or a merger.

(a) Subject to Subsection 626(c), where TSX determines that a transaction is a backdoor listing, the approval procedure is similar to that of an original listing application. Generally, the listed issuer resulting from the transaction must meet the original listing requirements of TSX. TSX will also approve the transaction where the unlisted entity meets the original listing requirements of TSX (except for the public distribution requirements) and the entity resulting from the transaction:

i) meets the public distribution requirements for original listing;

ii) would appear to have a substantially improved financial condition as compared to the listed issuer; and

iii) has adequate working capital to carry on the business.

(b) A transaction resulting, or that could result, in the security holders of the listed issuer owning less than 50% of the securities or voting power of the entity resulting from the transaction, will generally be considered a backdoor listing.

~~Furthermore, in certain circumstances, TSX may determine:~~

~~i) not to consider a transaction as a backdoor listing, notwithstanding that existing security holders of the listed issuer will own less than 50% of the securities or voting power of the entity resulting from the transaction. In such instance, TSX must be satisfied that the transaction should not be regarded as a backdoor listing; or~~

~~ii)~~ Furthermore, in certain circumstances, TSX may determine to consider a transaction as a backdoor listing, notwithstanding that existing security holders of the listed issuer will continue to own 50% or more of the securities or voting power of the entity resulting from the transaction.

In making its determination, TSX will consider a variety of factors such as the business of the listed issuer and of the unlisted entity, the relative sizes of the listed issuer and the unlisted entity, changes to management (including the board of directors), as well as changes in voting power, security ownership and capital structure, among other factors that may be relevant in the particular circumstances.

In calculating whether security holders of the listed issuer will or could own less than 50% of the securities or voting power of the entity resulting from the transaction, any securities issued or issuable upon a concurrent financing that is contingent on or otherwise linked to the transaction will be included.

(c) The transaction must be approved by the security holders of the listed issuer's participating securities at a meeting prior to completion of the transaction. For this purpose, holders of Restricted Securities, as defined in Part I, must be entitled to vote with the holders of any class of securities of the listed issuer which otherwise carry greater voting rights, on a basis proportionate to their respective residual equity interests in the issuer.

TSX's approval of a backdoor listing must be obtained before the transaction is submitted to security holders for approval. If this is impracticable, the information circular sent to security holders must include a statement that the proposed transaction is subject to the acceptance of TSX. The listed issuer must file a draft of the information circular with TSX for review before the sending of the circular to the security holders.

APPENDIX C

THE FINAL AMENDMENTS

SECTION 611

Acquisitions

(a) Where a listed issuer proposes to issue securities as full or partial consideration for property (which may include securities or assets) purchased from an insider of the listed issuer, TSX may require that documentation such as an independent valuation or engineer's report be provided.

(b) Security holder approval will be required in those instances where the number of securities issued or issuable to insiders as a group, together with any securities issued or made issuable to insiders as a group for acquisitions during the preceding six months, in payment of the purchase price for an acquisition exceeds 10% of the number of securities of the listed issuer which are outstanding on a non-diluted basis, prior to the date of closing of the transaction. Insiders receiving securities pursuant to the transaction are not eligible to vote their securities in respect of such approval.

(c) Subject to Subsection 611(d), security holder approval will be required in those instances where the number of securities issued or issuable in payment of the purchase price for an acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis.

[…]

(e) Where an acquisition by a listed issuer includes the assumption of security based compensation arrangements of a target issuer or the creation of security based compensation arrangements for employees of a target issuer as a result of the acquisition, securities issuable under such arrangements will be included in the securities issued or issuable for the purposes of the security holder approval requirement in Subsection 611(b) and (c). For the purpose of this Section 611, the assumption of security based compensation arrangements includes: i) a direct assumption of security based compensation arrangements of the target issuer; and ii) the cancellation of security based compensation arrangements of the target issuer and their replacement with arrangements of the listed issuer.

(f) Subsection 613(a) does not apply where an acquisition by a listed issuer includes: i) the assumption of security based compensation arrangements of a target issuer if the number of assumed securities (and their exercise or subscription price, if applicable) is adjusted in accordance with the price per acquired security payable by the listed issuer; and ii) the creation of security based compensation arrangements for employees of a target issuer if the aggregate number of securities issuable does not exceed 2% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction, and such employees are not insiders or employees of the listed issuer prior to the acquisition.

(g) In calculating the number of securities issued or issuable in payment of the purchase price for an acquisition, any securities issued or issuable upon a concurrent private placement upon which the acquisition is contingent or otherwise linked will be included.

[…]

Section 613(g)

[…]

(g) Listed issuers must disclose on an annual basis, in their information circulars, or other annual disclosure document distributed to all security holders, the terms of their security based compensation arrangements and any amendments that were adopted in the last fiscal year (this includes amendments to individual security agreements and amendments to security based compensation arrangements including, in both instances, those assumed or created by the listed issuer as part of an acquisition). The information circular must provide disclosure in respect of each of the items in Section 613(d), as of the date of the circular, as well as the nature of the amendments adopted in the last fiscal year, including whether or not (and if not, why not) security holder approval was obtained for the amendment.

[…]

SECTION 626

Backdoor Listings

A “backdoor listing” occurs when a transaction results in the acquisition of a listed issuer by an entity not currently listed on TSX. The transaction may be a series of transactions and may take one of a number of forms, including an issuance of securities for assets, an amalgamation or a merger.

(a) Subject to Subsection 626(c), where TSX determines that a transaction is a backdoor listing, the approval procedure is similar to that of an original listing application. Generally, the listed issuer resulting from the transaction must meet the original listing requirements of TSX. TSX will also approve the transaction where the unlisted entity meets the original listing requirements of TSX (except for the public distribution requirements) and the entity resulting from the transaction:

i) meets the public distribution requirements for original listing;

ii) would appear to have a substantially improved financial condition as compared to the listed issuer; and

iii) has adequate working capital to carry on the business.

(b) A transaction resulting, or that could result, in the security holders of the listed issuer owning less than 50% of the securities or voting power of the entity resulting from the transaction, will generally be considered a backdoor listing.

Furthermore, in certain circumstances, TSX may determine to consider a transaction as a backdoor listing, notwithstanding that existing security holders of the listed issuer will continue to own 50% or more of the securities or voting power of the entity resulting from the transaction.

In making its determination, TSX will consider a variety of factors such as the business of the listed issuer and of the unlisted entity, the relative sizes of the listed issuer and the unlisted entity, changes to management (including the board of directors), as well as changes in voting power, security ownership and capital structure, among other factors that may be relevant in the particular circumstances.

In calculating whether security holders of the listed issuer will or could own less than 50% of the securities or voting power of the entity resulting from the transaction, any securities issued or issuable upon a concurrent financing that is contingent on or otherwise linked to the transaction will be included.

(c) The transaction must be approved by the security holders of the listed issuer's participating securities at a meeting prior to completion of the transaction. For this purpose, holders of Restricted Securities, as defined in Part I, must be entitled to vote with the holders of any class of securities of the listed issuer which otherwise carry greater voting rights, on a basis proportionate to their respective residual equity interests in the issuer.

TSX's approval of a backdoor listing must be obtained before the transaction is submitted to security holders for approval. If this is impracticable, the information circular sent to security holders must include a statement that the proposed transaction is subject to the acceptance of TSX. The listed issuer must file a draft of the information circular with TSX for review before the sending of the circular to the security holders.

13.3 Clearing Agencies

13.3.1 CDS Clearing and Depository Services Inc. – Material Amendments to CDS Procedures – Amendments to Processing a New York Link Participant Default – Notice of Commission Approval

CDS CLEARING AND DEPOSITORY SERVICES INC.

MATERIAL AMENDMENTS TO CDS PROCEDURES

AMENDMENTS TO PROCESSING A NEW YORK LINK PARTICIPANT DEFAULT

NOTICE OF COMMISSION APPROVAL

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and CDS Clearing and Depository Services Inc. (CDS), the Commission approved on September 19, 2014, amendments to processing a New York link Participant default. These amendments will allow CDS to effectively manage a potential default in the New York Link service and reduce the liquidity risk CDS is exposed to. A copy of the CDS notice was published for comment on July 17, 2014 on the Commission's website at: http://www.osc.gov.on.ca. No comments were received.

13.4 Trade Repositories

13.4.1 Chicago Mercantile Exchange Inc., DTCC Data Repository (U.S.) LLC, and ICE Trade Vault, LLC

CHICAGO MERCANTILE EXCHANGE INC.

DTCC DATA REPOSITORY (U.S.) LLC

ICE TRADE VAULT, LLC

NOTICE OF COMMISSION ORDERS

On September 19, 2014, the Commission issued three orders pursuant to subsection 21.2.2(1) of the *Securities Act* (Ontario) designating Chicago Mercantile Exchange Inc. (CME), DTCC Data Repository (U.S.) LLC (DDR) and ICE Trade Vault, LLC (ICE TV) as trade repositories (Orders), subject to terms and conditions as set out in the Order.

On July 31st, the Commission published each of CME, DDR and ICE TV's applications and draft designation orders on the OSC website and in the OSC Bulletin at (2014), 37 OSCB 7149. No comment letters were received.

In issuing the Orders, only non-substantive changes were made to the draft orders published for comment. Copies of the orders are published on the OSC website and in Chapter 2 of this Bulletin issue.

The Orders for each of CME, DDR and ICE TV are based on reliance on the regulatory regime in their home jurisdiction. The Orders contain various terms and conditions, including relating to:

1. Regulation by the CFTC
2. Access and participation
3. Data collection and reporting
4. Fees
5. Commercialization of data
6. Reporting requirements
7. Information sharing

Under OSC Rule 91-507, OTC derivatives transactions involving Ontario counterparties are required to be reported to a trade repository designated by the Commission. The first phase of OTC derivatives counterparty reporting obligations under the rule commences on October 31, 2014. We are informed that the on-boarding process for new users and participants of a trade repository varies depending on the circumstances, ranging from approximately two to four weeks. Accordingly, Ontario OTC derivatives market participants should contact and join an Ontario-designated trade repository in a timely manner in order to ensure that they comply with their obligations under OSC Rule 91-507.

Chapter 25

Other Information

25.1 Approvals

25.1.1 Sodhi Asset Management Inc. – s. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act – application by manager, with no prior track record acting as trustee, for approval to act as trustee of pooled funds and future pooled funds to be established and managed by the applicant and offered pursuant to a prospectus exemption.

Statutes Cited:

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., s. 213(3)(b).

September 16, 2014

AUM Law Professional Corporation
175 Bloor Street East
Suite 303, South Tower
Toronto, ON M4W 3R8

Attention: Soma Choudhury/Puneet Grewal

Dear Sirs/Mesdames:

Re: Sodhi Asset Management Inc. (the "Applicant")

Application pursuant to clause 213(3)(b) of the Loan and Trust Corporations Act (Ontario) for approval to act as trustee

Application No. 2014/0358

Further to your application dated April 4, 2014 (the "Application") filed on behalf of the Applicant, and based on the facts set out in the Application and the representation by the Applicant that the assets of Owners' Equity Fund, and any other future mutual fund trusts that the Applicant may establish and manage from time to time, will be held in the custody of a trust company incorporated and licensed or registered under the laws of Canada or a jurisdiction, or a bank listed in Schedule I, II or III of the *Bank Act* (Canada), or a qualified affiliate of such bank or trust company, the Ontario Securities Commission (the "Commission") makes the following order:

Pursuant to the authority conferred on the Commission in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that the Applicant act as trustee of the Owners' Equity Fund and any other future mutual fund trusts which may be established and managed by the Applicant from time to time, the securities of which will be offered pursuant to prospectus exemptions.

Yours truly,

"Monica Kowall"
Commissioner

"Vern Krishna"
Commissioner

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