RULE 1

INTERPRETATION AND EFFECT

1.1. In these Rules unless the context otherwise requires, the expression:

"Affiliate" or "Affiliated Corporation" means in respect of two corporations, either corporation if one of them is the subsidiary of the other or if both are subsidiaries of the same corporation or if each of them is controlled by the same person;

"Approved Lender" means a chartered bank, an acceptable counterparty or acceptable institution as defined in Form 1, an industry investor, a Dealer Member or any other lender so designated by the Board of Directors;

"Approved Person" means, in respect of a Dealer Member, an individual who is a partner, director, officer, employee or agent of a Dealer Member who is approved by the Corporation or another Canadian Self Regulatory Organization to perform any function required under any Rule.

"Applicable" in relation to a District Council means the District Council for the District:

(1) In which the applicant for Membership or the Dealer Member has its principal office and, in the case of a holding company of a Dealer Member corporation, in which the Dealer Member corporation has its principal office;

(2) In which the branch office or sub-branch office will be located or in which the applicant for approval as a branch manager, sales manager or assistant or co-branch manager resides;

(3) In which the applicant for approval as a new partner, director, officer or investor resides provided that if such partner, director, officer or investor has changed his or her place of residence to another District within 3 months prior to the change for which approval is being sought then the applicable District Council shall be the District Council for the District where the applicant formerly resided;

(4) In which the applicant for approval as a registered representative or investment representative resides;

(5) In which the applicant for approval as a futures contract principal, futures contract options principal or a person who deals with customers with respect to futures contracts or futures contract options resides;

(6) In which the applicant for approval as a portfolio manager, securities option portfolio manager, futures contract options portfolio manager or futures contracts portfolio manager resides;

(7) In which the respondent, if an individual, in a disciplinary action pursuant to Rule 20 was approved at the time the activities which are the subject of the disciplinary action primarily occurred, provided that,

(a) If the individual was approved in more than one District at the relevant time, and the matter which is the subject of the disciplinary action involves a client in a District where the respondent was approved other than that in which the respondent resides, in which such client resided at the time such activities occurred; or

(b) If the applicable District Council cannot otherwise be determined, in which the respondent resided at the relevant time; or

(8) In which the activities which are the subject of a disciplinary action against a respondent Dealer Member pursuant to Rule 20 primarily occurred, or, if such activities are not referable to any specific District, in which the principal office of the respondent Dealer Member is located, provided that, if a disciplinary action involves both an individual and a Dealer Member, the District Council having jurisdiction pursuant to clause (7) herein.

"Beneficial Ownership" in respect of any securities includes ownership by:

(i) A person other than a corporation, of securities beneficially owned by a corporation controlled by him or her or by an affiliate of such corporation; and

(ii) A corporation of securities beneficially owned by its affiliates;

"Callable Debt Security" means a security described in Rule 100.2A(a), which allows the issuer to redeem the security at a fixed price (the call price), subject to the call protection period;

"Call Protection Period" means the period of time during which the issuer cannot redeem a callable debt security;

"Chartered Bank" means a bank incorporated under the Bank Act (Canada);

"Control" or "Controlled", in respect of a corporation by another person or by two or more corporations, means the circumstances where:

(i) Voting securities of the first-mentioned corporation carrying more than 50% of the votes for the election of directors are held, other than by way of security only, by or for the benefit of the other person or by or for the benefit of the other corporations; and

(ii) The votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of the first-mentioned corporation,

And where the applicable District Council in respect of a particular Dealer Member or its holding company orders that a person shall, or shall not, be deemed to be controlled by another person, then such order shall be determinative of their relationships in the application of the Rules and Rulings with respect to that Dealer Member or holding company;

"Dealer Member Corporation" means an incorporated Dealer Member;

"Debt" means an investment which provides the holder with a legal right, in specified circumstances, to demand payment of the amount owing and includes a debtor-creditor relationship whether or not represented by a written instrument or security;

"Designated Person" or a "Designated" Partner, Director, Officer, Futures Contract Principal, Futures Contract Options Principal or Registered Options Principal means either:

(i) An Ultimate Designated Person who is either

(a) The Chief Executive Officer,

(b) President,

(c) Chief Operating Officer,

(d) Chief Financial Officer, or

(e) Such other officer designated with the equivalent supervisory and decision-making responsibility who has been granted approval by the Corporation to act as the Ultimate Designated Person;

(ii) An Alternate Designated Person who

(a) Has been appointed by the Dealer Member to ensure continuous supervision,

(b) Is registered as a partner, director, officer or is in the process of applying as one, and

(c) Has been granted approval by the Corporation to act as an Alternate Designated Person; or

(iii) Except where expressly prohibited, a Chief Compliance Officer who

(a) Has been appointed by the Dealer Member,

(b) Is registered as a partner, director, officer or is in the process of applying as one, and

(c) Has been granted approval by the Corporation to act as a Chief Compliance Officer.

"Equity Investment" means an investment the holder of which has no legal right to demand payment until the issuing corporation or its board of directors has passed a resolution declaring a dividend or other distribution, or winding-up of the issuing corporation;

"Extendible Debt Security" means a security described in Rule 100.2A(b), which allows the holder, during a fixed time period, to extend the maturity date of the security to the extension maturity date, and to change the principal amount of the security to a fixed percentage (the extension factor) of the original principal amount;

"Extension Election Period" means the period of time during which the holder may elect to extend the maturity date and change the principal amount of, an extendible debt security;

"Extension Factor" means, if any, the fixed percentage that should be used to change the original principal amount of the extendible debt security when the maturity date is deemed to be equal to the extension maturity date;

"Fully Participating Security" means a participating security other than a limited participation security;

"Guaranteeing" includes becoming liable for, providing security for or entering into an agreement (contingent or otherwise) having the effect or result of so becoming liable for or providing security for a person, including an agreement to purchase an investment, property or services, to supply funds, property or services or to make an investment primarily for the purpose of directly or indirectly enabling such person to perform its obligations in respect of such security or investment or assuring the investor of such performance;

"Holding Company" means, in respect of any corporation, any other corporation which owns more than 50 per cent of each class or series of voting securities and more than 50 per cent of each class or series of participating securities of the corporation or of any other corporation which is a holding company of the corporation, but an industry investor shall not be considered to be a holding company by reason of the ownership of securities in its capacity as an industry investor and the applicable District Council in its discretion may deem any person (including but not limited to a corporation) to be or not to be a holding company for the purposes of the Rules;

"Individual" means a natural person, other than an individual who is a Dealer Member;

"Industry Investor" means, in respect of any Dealer Member or holding company of a Dealer Member corporation, any of the following who owns a beneficial interest in an investment in the Dealer Member or holding company:

(i) The Dealer Member's full-time officers and employees or the full-time officers and employees of a related company or affiliate of the Dealer Member which carries on securities related activities;

(ii) Spouses of individuals referred to in clause (i);

(iii) An investment corporation, if:

(a) A majority of each class of the voting securities of the investment corporation is held by individuals referred to in clause (i); and

(b) All interests in all other equity securities of the investment corporation are beneficially owned by individuals referred to in clause (i) or (ii) or their children or by industry investors with respect to the particular Dealer Member or holding company;

(iv) A family trust established and maintained for the benefit of individuals referred to in clause (i) or (ii) or their children, if

(a) Full direction and control of the trust, including, without limitation, its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio, are maintained by individuals referred to in clause (i) or (ii); and

(b) All beneficiaries of the trust are individuals referred to in clause (i) or (ii) or their children or industry investors with respect to the particular Dealer Member or holding company of a Dealer Member corporation;

(v) A registered retirement savings plan established under the *Income Tax Act (Canada)* by an individual referred to in clause (i) or (ii) if control over the investment policy of the registered retirement savings plan is held by that individual and if no other person has any beneficial interest in the registered retirement savings plan;

(vi) A pension fund established by a Dealer Member for its officers and employees if the pension fund is organized so that full power of its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio is held by individuals referred to in clause (i);

(vii) The estate of an individual referred to in clause (i) or (ii) for a period of one year after the death of such individual or such longer period as may be permitted by the applicable District Council;

(viii) Any investor referred to in clause (i), (ii), (iii), (iv) or (v) for a period of 90 days or such longer period as the Corporation may permit after the individual who, in the case of clause (i), is the investor or, in the case of such other clauses, is the person through whom the industry investor qualifies as such, is no longer in the employment of the Dealer Member, related company or affiliate, as the case may be, in respect of which he or she has been approved;

But any of the foregoing is an industry investor only if an approval for purposes of this definition has been given, and not withdrawn, by the board of directors of such Dealer Member or holding company, as the case may be, and by the applicable District Council;

“Investment” in any person means any security or debt obligation issued, assumed or guaranteed by such person, any loan to such person, and any right to share or participate in the assets, profit or income of such person;

“Investment Representative” means any person who trades but does not advise on trades in securities, options, futures contracts or futures contract options with the public in Canada, other than a person who trades exclusively in securities of or guaranteed by the government of Canada or any province of Canada or any municipality in Canada, and shall include an investment representative (mutual funds) approved pursuant to Rule 18.7;

“Investor” means any person who has an interest in an investment;

“Junior Subordinated Debt” means subordinated debt, which is subordinated to other subordinated debt;

“Limited Participation Security” means indebtedness or a preferred share that

(i) Carries interest or dividends at a fixed rate, and, if dividends, cumulative and payable in priority to any dividends to the holders of common shares;

(ii) If indebtedness, is repayable at any time and, if a preferred share, is redeemable at any time, in either case at a price that may include a premium if the premium is not based on earnings or retained earnings;

(iii) Is limited in its participation in earnings to an amount not exceeding annually one-half of the annual fixed interest or dividend rate, although such participation may be cumulative; and

(iv) Is subject to subordination or equivalent arrangements such that the return to the holders thereof on a bankruptcy would not be adversely affected by section 110 of the Bankruptcy Act (Canada) or equivalent legislation,

And which is approved as a limited participation security by the applicable District Council;

“Membership” means membership in the Corporation as a Dealer Member;

“Non-participating Security” means a security with a claim limited to interest or dividends at a fixed rate;

“Non-subordinated Debt” means debt, which is not subordinated debt;

“Officer” means the chair and vice-chair of the board of directors, president, vice-president, chief executive officer, chief financial officer, chief operating officer, secretary, any other person designated an officer of a Dealer Member by law or similar authority, or any person acting in a similar capacity on behalf of a Dealer Member;

“Ordinary Course Indebtedness” means all debt other than debt which is a restrictive or participating security or subordinated debt;

“Ownership Interest” means all direct or indirect ownership of the participating securities;

“Parent” (where used to indicate a relationship with another corporation) means a corporation that has the other corporation as a subsidiary;

“Participating Security” means a security which entitles the holder thereof to participation, limited or unlimited, in the earnings or profits of the issuer, either alone or in addition to a claim for interest or dividends at a fixed rate, and includes, except where the reference is to "outstanding" participating securities, a security which entitles the holder thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire a participating security;

“Person” means an individual, a partnership, or corporation, a government or any department or agency thereof, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual;

"Predecessor Organization" means the Investment Dealers Association of Canada;

"Public Ownership of Securities" means the ownership of securities (other than ordinary course indebtedness) by any person other than an industry investor, except that ownership by approved lenders of securities of a Dealer Member or a holding company does not, of itself, constitute public ownership of securities;

"Qualified Independent Underwriter" means, in respect of the distribution of securities of a Dealer Member corporation or a holding company of a Dealer Member corporation, a securities firm which is a member of a self-regulatory organization, and:

(i) Has engaged in the securities business for at least five years immediately preceding the filing of the prospectus or other equivalent document;

(ii) As of the date the distribution commences:

(a) If a corporation, the majority of the members of its board of directors

(b) If a partnership, the majority of its general partners

Has engaged in the securities business for the five-year period immediately preceding that date;

(iii) Has engaged in the underwriting of public offerings of securities for the five-year period immediately preceding the date the distribution commences; and

(iv) Is not an associate or affiliate of the corporation whose securities it is underwriting;

"Recognized Stock Exchange" means any stock exchange designated by the Board of Directors for the purposes of any one or more of these Rules;

"Registered Representative" means any person who trades or advises on trades in securities, options, futures contracts, or futures contract options with the public in Canada other than a person who trades or advises on trades exclusively in securities of or guaranteed by the government of Canada or any province of Canada or any municipality in Canada, and shall include a registered representative (mutual funds) approved pursuant to Rule 18.7 and a registered representative (non-retail) approved pursuant to Rule 18.8;

"Related Company" means a sole proprietorship, partnership or corporation which:

(i) Is related to a Dealer Member in that either of them, or its partners in, and directors, officers, shareholders and employees of, it, individually or collectively, have at least a 20% ownership interest in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies;

(ii) Is a securities dealer or adviser in Canada; and

(iii) Is a member of a participating institution of the Canadian Investor Protection Fund;

Provided that the Board of Directors may, from time to time, include in, or exclude from this definition any sole proprietorship, partnership or corporation, and change those included or excluded;

"Restrictive Security" means a security of a Dealer Member or a holding company of a Dealer Member corporation which, in the opinion of the applicable District Council, entitles the holder thereof to rights which give it a more extensive or substantial degree of influence on the Dealer Member or holding company of the operations thereof than is usual for a holder of the same amount of securities of the same type;

"Retractable Debt Security" means a security described in Rule 100.2A(c), which allows the holder of the security, during a fixed time period to retract the maturity date of the security to the retraction maturity date, and to change the principal amount of the security to a fixed percentage (the retraction factor), of the original principal amount;

"Retraction Election Period" means the period of time during which the holder may elect to retract the maturity date, and change the principal amount of, a retractable debt security;

"Retraction Factor" means, if any, the fixed percentage that should be used to change the original principal amount of the retractable debt security when the maturity date is deemed to be equal to the retraction maturity date;"

"Rules" means these Rules and any Rules made pursuant to the By-laws of the Corporation.

"Sales Manager" shall include any person who has been assigned direct or indirect supervisory responsibility over any sales management personnel of a Dealer Member;

"Secretary" means the Secretary of the Corporation;

"Securities Commission" means in any jurisdiction, the commission, person or other authority authorized to administer any legislation in force relating to the offering and/or sale of securities or commodity futures to the public and/or to the registration or licensing of persons engaged in trading securities or commodity futures;

"Securities Dealer" means an individual, firm or corporation acting as dealer (principal) or broker (agent) in carrying out transactions in securities and commodity futures contracts or options on behalf of clients and includes, without limitation, acting as an underwriter or adviser;

"Securities Held for Safekeeping," means those securities held by a Dealer Member for a client pursuant to a written safekeeping agreement. These securities must be free from any encumbrance, be kept apart from all other securities and be identified as being held in safekeeping for a client in a Dealer Member's security position record, customer's ledger and statement of account. Securities so held can only be released pursuant to an instruction from the client and not solely because the client has become indebted to the Dealer Member.

"Securities Related Activities" means acting as a securities dealer and carrying on any business which is incidental to or a necessary part of such activities provided that the Board of Directors may, from time to time, include in, or exclude from this definition any activities and change those included or excluded;

"Segregated Securities" means those clients' securities which are unencumbered and which have either been fully paid for or are excess margin securities. Segregated securities must be distinguished as being held in trust for the client owning the same. These securities must be described as being held in segregation on the Dealer Member's security position record (or related records), customer's ledger and statement of account. Whenever a client becomes indebted to a Dealer Member, the Dealer Member has the right to use, by sale or loan, previously segregated securities to the extent reasonably necessary to cover the indebtedness.

"Senior Officer" means the chairman or a vice-chairman of the board of directors, the president, a vice-president, the secretary, the treasurer or the general manager of a Dealer Member or any other individual who performs functions for a Dealer Member similar to those normally performed by an individual occupying any such office;

"Self-Regulatory Organization" means any of the Corporation, The TSX Venture Exchange, the Montreal Exchange and The Toronto Stock Exchange;

"Sub-branch Office" means any office of a Dealer Member having in total less than four registered representatives and supervised by a branch manager or a director, partner or officer designated pursuant to Rule 1300, who is not normally present at such sub-branch office;

"Subordinated Debt" means any debt the terms of which specify that its holder will not be entitled to receive payment if any payment to any holder of a senior class of debt is in default;

"Subsidiary", in respect of a corporation and another corporation, means the first mentioned corporation if:

(i) It is controlled by:

(a) That other; or

(b) That other and one or more corporations each of which is controlled by that other; or

(c) Two or more corporations each of which is controlled by that other; or

(ii) It is a subsidiary of a corporation that is that other's subsidiary;

"Voting Securities" of a Dealer Member or holding company of a Dealer Member corporation means all securities of the Dealer Member or holding company outstanding from time to time that carry the right to vote for the election of directors, and includes:

(i) Except where the reference is to "outstanding" voting securities, those securities which entitle the holders thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire voting securities; and

(ii) Preference shares which carry the right to vote for the election of directors only upon the occurrence of a specific event if such specific event has occurred.

1.2. Words importing the singular include the plural and vice versa and words importing any gender include any other gender.

1.3. In the event of any dispute as to the intent or meaning of the By-laws or Rules or Rulings or Forms, the interpretation of the Board of Directors, subject to the provisions of Rule 33, shall be final and conclusive.

1.4. The enactment of these Rules shall be without prejudice to any right, obligation or action acquired, incurred or taken under the By-laws of the Corporation and its Predecessor Organization as heretofore in effect or under the Rules, Rulings or Forms passed pursuant thereto, and any proceedings taken under the By-laws as heretofore in effect or under such Rules, Rulings or Forms shall be taken up and continued under and in conformity with these By-laws and the Rules, Rulings and Forms as from time to time in effect.

1.5 Terms used in these Rules which are not defined herein shall have the same meanings as used or defined in General By-law No. 1 and the Hearing Committees and Hearing Panels Rule.

RULE 2

MEMBERSHIP

2.1. Repealed.

2.2. Repealed.

2.3. Repealed.

2.4. Repealed.

2.5. Repealed.

2.6 Repealed.

2.7 Repealed.

2.8. Repealed.

2.9. Repealed.

2.10. Repealed.

2.11. Repealed.

2.12 Repealed.

2.13. Repealed.

2.14. Repealed.

2.15. Repealed.

2.16. Repealed.

2.17. Repealed.

RULE 3

ENTRANCE, ANNUAL AND OTHER FEES

3.1. Repealed.

3.2. Repealed.

3.3. Repealed.

3.4. Repealed.

3.5. Repealed.

3.6. Repealed.

3.7. Repealed.

3.8. Repealed.

3.9. Repealed.

3.10. Repealed.

3.11. Repealed.

3.12. Repealed.

3.13 Repealed

RULE 4

BRANCH OFFICE DEALER MEMBERS, BRANCH OFFICES AND SUB-BRANCH OFFICES

4.1. Where any Dealer Member has one or more branch offices having a manager and staff either in the District in which the principal office of such Dealer Member is situated or in any other District, each such branch office shall be a Branch Office Dealer Member.

4.2. No Membership or other fees and assessments shall be payable in respect of any Branch Office Membership.

4.3. A Branch Office Dealer Member shall have the same privileges in its District as any other Dealer Member except that at all District meetings each Dealer Member shall have one vote only in respect of all its offices, whether principal or branch, in the District.

4.4. The representative of any Branch Office Dealer Member in any District shall be eligible for election as Chair or member of the District Council of such District.

4.5. Each Branch Office Dealer Member shall be entitled to send one or more representatives to the Annual Meeting.

4.5A. Repealed.

4.6.

(a) Each Dealer Member shall appoint a branch manager to be in charge of each of its branch offices and, where necessary to ensure continuous supervision of the branch office, a Dealer Member may appoint one or more assistant or co-branch managers who shall have the authority of a branch manager in the absence or incapacity of the branch manager. A branch manager shall be normally present at the branch of which he or she is in charge.

(b) A Dealer Member having a branch office that has no client accounts other than accounts for institutional clients as defined in Rule 2700 may appoint a branch manager (non-retail) to be in charge of the branch and, where necessary to ensure continuous supervision of the branch office, a Dealer Member may appoint one or more assistant or co-branch managers (non-retail), who shall have the authority of a branch manager in the absence or incapacity of the branch manager. A branch manager (non-retail) shall be normally present at the branch of which he or she is in charge.

(c) A Dealer Member shall notify the Corporation as required in accordance with Rule 40, of the opening or closure of a branch office.

4.7. A Dealer Member having a sub-branch office shall designate as the supervisor of such office, a branch manager, or a director, partner or officer who is not normally present at such office. The business of the sub-branch office, including the entry of orders, shall be conducted through the head office of the Dealer Member or through the branch office designated as having supervisory responsibility for the sub-branch office. A Dealer Member shall notify the Corporation of the opening and closure of a sub-branch office in accordance with Rule 40.

4.7A. The Corporation may approve a proposed branch or sub-branch office to be established and maintained outside of Canada, provided that:

(a) The Dealer Member seeking approval for the branch or sub-branch office provides evidence satisfactory to the Corporation that the persons to be employed in such office are registered or licensed to carry on the business which is intended to be carried on at that office, pursuant to the laws of the jurisdiction in which the office will be located; and

(b) In the case of a proposed sub-branch, the proposed sub-branch office is within the same territorial jurisdiction as the branch office designated as having supervisory responsibility for such sub-branch office.

4.8. Repealed.

4.9. No person shall act as a sales manager, branch manager, assistant branch manager, co-branch manager, branch manager (non-retail), assistant branch manager (non-retail) or co-branch manager (non-retail) unless the person:

(a) Has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900; and

(b) Has been approved by the Corporation.

4.9A. Failure to satisfy subclause A.1(a)(iii)C of Part I of Rule 2900 will result in the automatic suspension of approval. Approval will be reinstated only at such time as the individual has satisfied the applicable course requirement.

4.10. Repealed.

4.11. Repealed.

4.12. Every person whose application for approval as a branch manager, assistant or co-branch manager or sales manager has been approved shall be subject to the jurisdiction of the Corporation, shall comply with the Rules and Rulings of the Corporation as the same are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her employment as a branch manager, assistant or co-branch manager or sales manager with the Dealer Member with whom he or she is employed at the time of such revocation.

4.13. No branch manager or assistant or co-branch manager shall accept, or permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, benefit or any other consideration from any person other than the Dealer Member or its affiliates or its related companies in respect of the activities carried out by such branch manager or assistant or co-branch manager on behalf of the Dealer Member or its affiliates or its related companies and in connection with the sale or placement of securities on behalf of any of them.

4.14 Each Dealer Member shall be liable and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member to file within ten business days of the end of each month, a report with respect to the conditions imposed on approval or continued approval of a branch manager, assistant or co-branch manager or sales manager of the Dealer Member pursuant to Rule 20.

RULE 5

OWNERSHIP OF DEALER MEMBER SECURITIES

Dealer Member Debt, Restrictive and Limited Participation Securities

5.1. A Dealer Member or holding company of a Dealer Member which proposes to borrow money on terms whereby the principal amount matures or is renewable or extendible at the option of the Dealer Member or the holding company to a date more than 12 months after the borrowing shall provide the Corporation with notice of the terms of the borrowing prior to the making of the borrowing.

5.2.

(1) No Dealer Member or holding company of a Dealer Member shall issue without the prior approval of the Corporation:

(a) A security representing subordinated debt;

(b) A restrictive security; or

(c) A limited participation security.

(2) No Dealer Member or holding company of a Dealer Member shall enter into any agreement to issue subordinated debt in the future without prior approval of the Corporation.

5.2A.

(1) A Dealer Member who has received Corporation approval for the issuance of subordinated debt pursuant to Rule 5.2, shall immediately notify the Corporation of any change in the amount of the funds advanced under the resulting subordinated debt agreement.

(2) A Dealer Member shall require approval of the Corporation prior to any repayment of funds owed pursuant to a subordinated debt agreement.

Changes in Dealer Member Ownership

5.3. Prior written notice shall be given to the Corporation of the issue or transfer of any securities, or a legal or beneficial interest therein, of a Dealer Member or of a holding company of a Dealer Member corporation, other than securities of a class in respect of which there is public ownership pursuant to a distribution thereof in accordance with Rule 5.9(a), (b) or (d), and other than in respect of the issue or transfer of indebtedness of a Dealer Member corporation or holding company of a Dealer Member corporation that is not subordinated debt, a restrictive security or a limited participation security.

5.4.

(1) Dealer Members shall seek District Council approval of any transaction that:

(a) Permits an investor, alone or together with its associates and affiliates, to own a significant equity interest in the Dealer Member; or

(b) Permits an investor, alone or together with its associates and affiliates, to own special warrants or any other securities that are convertible, at any time in the future, to a significant equity interest in the Dealer Member.

(2) For the purposes of this Rule 5.4, a significant equity interest means the holding of:

(a) Voting securities carrying 10 percent or more of the votes carried by all voting securities of the Dealer Member or of a holding company of a Dealer Member;

(b) 10 percent or more of the outstanding participating securities of the Dealer Member or of a holding company of a Dealer Member; or

(c) An interest of 10 percent or more of the total equity in the Dealer Member.

(3) Notwithstanding paragraph (1), the legal representatives of a deceased person who had been approved by the applicable District Council as the owner of a significant equity interest may continue as such registered holder or to hold such interest for such period as the applicable District Council may permit.

5.5. No Dealer Member or holding company of a Dealer Member corporation shall own, directly or indirectly, any securities issued by another Dealer Member or holding company of a Dealer Member corporation without the prior consent of the applicable District Council, except for the ownership of securities in connection with the ordinary course of the activities of the securities business.

5.6. No industry investor shall own securities issued by a Dealer Member or a holding company of a Dealer Member corporation other than the Dealer Member in respect of which the investor is approved or a holding company of such Dealer Member corporation, unless:

(a) those securities are of a class in respect of which there is public ownership pursuant to a distribution thereof, in accordance with Rule 5.9(a), (b) or (d), or

(b) the Dealer Member is an affiliate or a related company of the Dealer Member in respect of which the investor is approved; or

(c)

(i) the investment does not represent a significant equity interest,

(ii) the Corporation has been notified of the relationship,

(iii) the Corporation has been provided with evidence that the other member's recognized self-regulatory organization does not object to the relationship and

(iv) the Dealer Member, in respect of which the industry investor is approved, has been notified of the investment and does not object to the investment.

For the purposes of this Rule 5.6, significant equity interest shall mean an investment that is 10% or more of any class of issued equity or voting shares.

Public Dealer Member Ownership

5.7. A Dealer Member corporation or the holding company of a Dealer Member corporation may permit public ownership of its securities (other than its restrictive securities) but only with the prior approval of the applicable District Council which approval shall be given only if the applicable District Council is satisfied that the Rules of the Corporation including this Rule 5 are being, and will continue to be, complied with. In considering the application for approval, the applicable District Council may review an opinion of legal counsel and such other evidence as it considers appropriate. In granting its approval hereunder, the applicable District Council may impose such conditions and require such undertakings as it considers appropriate from any person to ensure continued compliance with the Rules of the Corporation.

5.8. Any Dealer Member or holding company of a Dealer Member corporation which has permitted public ownership of its securities shall, regardless of the statute under which it is incorporated, appoint and maintain an audit committee in accordance with the provisions of the *Canada Business*

Corporations Act which relate to audit committees. A Dealer Member or holding company of a Dealer Member may be exempted from the requirements of this Rule 5.8 by the applicable District Council in its discretion and on such terms and conditions as the Council may determine.

Public Distribution of Dealer Members' Securities

5.9. A Dealer Member corporation or a holding company of a Dealer Member corporation that intends to permit public ownership of its securities may effect the distribution thereof:

(a) Through a qualified independent underwriter on a firm underwriting basis in accordance with usual commercial practice, with a prospectus or equivalent document containing the information required by applicable securities legislation and, subject to the concluding portion of Rule 5.9(b), the Dealer Member corporation may participate as a member of the selling group in a distribution under this Rule 5.9(a);

(b) Through a qualified independent underwriter on an agency or best efforts basis, or through the issuing corporation (or, where the issuing corporation is a holding company, through its subsidiary Dealer Member) effecting the distribution, with a prospectus or equivalent document containing the information required by provincial securities legislation and with Rule 5.10 being also applicable in the circumstances thereby contemplated; a Dealer Member corporation or a holding company shall be deemed to be effecting the distribution of its own securities if more than 25 per cent of the distribution is made by the Dealer Member corporation or its subsidiary Dealer Member corporation to customers of the corporation or the subsidiary Dealer Member corporation;

(c) By private sale, but the provisions of Rule 5.11 shall apply in the circumstances thereby contemplated; or

(d) By some other procedure permissible under Rule 5.12.

5.10. A Dealer Member corporation or holding company of a Dealer Member corporation underwriting a public distribution of its own voting or participating securities pursuant to Rule 5.9(b), or effecting such a distribution on an agency or best efforts basis through another underwriter, shall provide as part of the prospectus or equivalent document hereby required, summaries of not less than two separate valuations of its securities prepared by independent underwriters or chartered accountants qualified to prepare the same (and participation in the distribution shall not disqualify an underwriter from preparing a valuation), but this requirement shall not apply if securities with identical attributes to those being distributed have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations for not less than six months prior to the date the distribution commences.

5.11. Where voting or participating securities are distributed by way of private sale under Rule 5.9(c) to investors whose ownership thereof is permissible only by reason of the provisions of this Rule 5 concerning public ownership of securities, the distribution shall be permitted only if arrangements satisfactory to the applicable District Council (which arrangements shall include the execution of an agreement by each investor limiting his resale of the securities) are made to preclude the development of a public trading market in the securities unless and until:

(a) The issuing Dealer Member corporation or the holding company of a Dealer Member corporation has published information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information shall include valuations as described in Rule 5.10 unless securities of the Dealer Member or holding company, as the case may be, with identical attributes, have been listed and posted for trading on a stock exchange operated by one of the self-

regulatory organizations, for not less than six months prior to the date of publication of the information;

(b) From the date of publication of the information in (a) and until the date the public trading market develops, the Dealer Member corporation or holding company has complied with the timely disclosure requirements applicable to listed corporations; and

(c) After the date the public trading market develops, the Dealer Member corporation or holding company is required by law to comply with the timely disclosure requirements applicable to listed corporations.

5.12. A Dealer Member corporation or a holding company of a Dealer Member corporation may distribute its securities through a transaction such as a take-over bid or an amalgamation that will create a public trading market in such securities, but only if:

(a) The Dealer Member corporation or holding company publishes information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information shall be published in accordance with arrangements satisfactory to the applicable District Council as to:

(i) The stage in the transaction at which prospectus-type information will be provided;

(ii) The securities commission that will be responsible for reviewing and commenting on the information;

(iii) The persons to whom the prospectus or similar document will be distributed;

(iv) The rescission or withdrawal rights to be made available if the document contains a material inaccuracy; and

(b) If the securities are participating or voting securities, the information referred to in Rule 5.12(a) shall include valuations as described in Rule 5.10 unless the applicable District Council concludes that such information is not necessary having regard to circumstances such as, for example, that the terms of the transaction were arrived at through arm's length negotiations;

But the requirements of (a) and (b) shall not apply if securities of the Dealer Member corporation or holding company, with identical attributes, have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations for not less than six months prior to the date of the transaction.

5.13. The provisions of Rules 5.9 to 5.12, inclusive, apply, with necessary changes, to a secondary distribution of securities issued by a Dealer Member corporation or a holding company of a Dealer Member corporation if the securities are derived from a control position or the distribution will result in the creation of a public trading market.

Dealer Member Advisory and Related Activities

5.14. No Dealer Member shall permit the acquisition by any customer account over which the Dealer Member has discretionary authority of securities issued by the Dealer Member or the holding company of the Dealer Member. This prohibition applies notwithstanding any consent obtained from the customer and whether the securities are in the course of distribution or are being traded in the secondary market.

5.15. Solicitations by a Dealer Member corporation as to transactions in securities issued by it or a holding company of the Dealer Member corporation,

(a) Are, subject to Rule 5.14, permitted in the course of a distribution made with a prospectus or other document containing disclosure as required by the relevant securities legislation and this Rule 5 and in making private sales that qualify as a private placement under the relevant securities legislation;

(b) Are prohibited in the course of a distribution not described in Rule 5.15(a) and are prohibited as to secondary market trading, but nothing herein prohibits a Dealer Member from carrying out an unsolicited order for such securities;

And, for greater certainty, nothing herein prevents a Dealer Member corporation from accepting securities issued by it or a holding company of the Dealer Member corporation as securities for a margin account.

5.16. A Dealer Member corporation shall not issue research reports or opinion letters as to participating or voting securities issued by it or a holding company of the Dealer Member corporation.

5.16A. A Dealer Member or a related company of a Dealer Member or a partner, director, officer, employee or associate of either of them shall be deemed not to have breached any provision of Rules 5.9 to 5.16, inclusive, in connection with any trade or activity if conducted in compliance with any securities legislation or rule, policy, directive or order of any securities commission which specifically applies to the trade or activity.

Approvals

5.17. Application for any approval or exemption required by this Rule 5 shall be made to the Corporation in such form as the Board of Directors may from time to time prescribe and giving such other information as may be required by the Rules. The Corporation shall forthwith forward an application for approval or exemption to the Board of Directors or the applicable District Council as this Rule 5 may require. The applicant for approval or exemption may be required to pay such fees as the Board of Directors may from time to time direct. A person approved or granted an exemption for the purpose of this Rule 5 and the Dealer Member or holding company in respect of which he is approved or exempted shall report in writing to the Corporation within ten days of the event any change in the information submitted pursuant to the application for approval or exemption including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to such person.

5.18. The Board of Directors or the applicable District Council, as the case may be, shall have power in its discretion to approve or refuse an application for approval or exemption or to withdraw any approval or exemption theretofore granted.

RULE 6

DEALER MEMBER HOLDING COMPANIES, RELATED COMPANIES AND DIVERSIFICATION

Holding Companies

6.1. A holding company may not be the holding company of more than one Dealer Member corporation, except in the following circumstances:

(i) A holding company may be the holding company of more than one Dealer Member corporation if it owns all of the voting and all of the participating securities of each of them, or

(ii) The prior consent of the applicable District Council is obtained.

6.2. Each Dealer Member agrees to cause each of its holding companies carrying on business in Canada to comply with the Rules pertaining to a holding company of a Dealer Member corporation and with the requirements of the Board of Directors, applicable District Council, or any other relevant body of the Corporation pertaining to a holding company of a Dealer Member corporation. A Dealer Member shall be deemed not to be in compliance with the Rules unless it has provided the applicable District Council with evidence that each of its holding companies carrying on business in Canada is legally bound to comply with the Rules or requirements pertaining to such holding company.

Related Companies

6.3. No Dealer Member or partner, director, officer, investor or employee of a Dealer Member shall form, maintain or have any interest in a related company or associate without the prior approval of the applicable District Council.

6.4. Each related company of a Dealer Member shall comply with all of the Rules and Rulings of the Corporation except to the extent that any individual or class of Dealer Member or related company shall be exempted from such compliance by the Board of Directors. The Board of Directors or the relevant District Council, as the case may be, shall have the same rights and powers under the Rules of the Corporation with respect to related companies of a Dealer Member as such Board or Councils respectively has or have with respect to a Dealer Member.

6.5. A Dealer Member may, with the prior approval of the applicable District Council, have a wholly owned subsidiary whose principal business is that of a broker or dealer in securities or an adviser respecting securities.

Financial Assistance

6.6.

(1) Each Dealer Member shall be responsible for and shall guarantee the obligations to clients incurred by each of its related companies, and each related company shall be responsible for and shall guarantee the obligations of the Dealer Member to its clients on the following basis:

(a) Where a Dealer Member holds an ownership interest in a related company, the Dealer Member shall provide a guarantee in an amount equal to 100% of the Dealer Member's capital employed;

(b) Where a Dealer Member holds an ownership interest in a related company, the related company shall provide a guarantee to the Dealer Member in an amount equal to the percentage of the related company’s capital employed that

corresponds to the percentage of ownership interest the Dealer Member holds in the related company; and

(c) Where two related companies are related because of a common ownership interest held by the same person(s), each related company shall provide a guarantee of the other in an amount equal to the percentage of its capital employed that corresponds to the percentage ownership interest held by the person(s) who holds the common ownership interest.

(2) A guarantee shall not be required in accordance with paragraph (1) where the Board of Directors in its discretion determines that a guarantee is not appropriate.

(3) A guarantee shall be required in excess of the amount prescribed in paragraph (1) where the Board of Directors in its discretion determines that such a guarantee is appropriate.

(4) A guarantee required pursuant to this Rule 6.6 shall be in the form prescribed from time to time by the Board of Directors.

Diversification

6.7. No Dealer Member or related company shall carry on any business other than securities related activities without the prior approval of the applicable District Council but a Dealer Member or holding company of a Dealer Member may own an investment in a corporation (other than the Dealer Member) that carries on activities other than securities related activities and in respect of which the Dealer Member is not responsible for any of its liabilities. Each Dealer Member and holding company of a Dealer Member shall give notice in writing to the Corporation prior to acquiring any investment in such a corporation.

Notwithstanding the provisions of this Rule 6.7, a mutual fund dealer which is a related company in respect of a Dealer Member, and the directors, officers, employees or representatives of such mutual fund dealer, may deal in or sell contracts of life insurance issued by an insurer licensed or registered pursuant to applicable Canadian federal or provincial legislation.

RULE 7

DEALER MEMBER PARTNERS, DIRECTORS AND OFFICERS

7.1 Definitions

For the purposes of this Rule 7:

(a) "actively engaged in the business of the Dealer Member" means, participating in any regular business activities of the Dealer Member including but not limited to trading in securities or futures contracts and related services, research, investment banking, operations or promotion of the Dealer Member's services, but shall not include participation in meetings of the board of directors or related corporate governance committees of the board of directors or occasional referrals to the Dealer Member where such referrals do not result from solicitation of business on behalf of the Dealer Member;

(b) "director" means a member of the board of directors of the Dealer Member.

7.2 Approval

No person shall be a partner, director or officer of a Dealer Member unless that person has been approved as such by the Corporation.

7.3 Partners and Directors

(a) At least 40% of the partners or directors of a Dealer Member shall:

(1) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,

(2) Be partners, officers or directors of related or affiliated securities dealers, or affiliated financial institutions such as Canadian chartered banks, Quebec savings banks, trust or insurance companies licensed to do business in Canada or pension funds with aggregate net assets of not less than $5,000,000; and

(3) Have satisfied the applicable proficiency requirements outlined in Rule 2900, Part I.A(2); and

(4) Have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.

(b) The remaining directors, if actively engaged in the business of the Dealer Member or a related company of the Dealer Member, or the remaining partners, shall have the qualifications described in paragraphs 7.3(a) (1) or (2) and (3).

7.4 Officers

(a) All of the officers of a Dealer Member shall:

(1) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,

(2) Be partners, officers or directors of related or affiliated securities dealers, or affiliated financial institutions such as Canadian chartered banks, Quebec savings

banks, trust or insurance companies licensed to do business in Canada or pension funds with aggregate net assets of not less than $5,000,000; and

(3) Have satisfied the applicable proficiency requirements outlined in Rule 2900, Part I.A(2);

(b) Not less than 60% of the officers of a Dealer Member shall have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.

(c) At least two officers shall be engaged in the business of the Dealer Member; one of whom shall be engaged full time, while the other may be engaged on a part-time basis.

7.5 Chief Financial Officer

(a) Each Dealer Member shall appoint one officer as chief financial officer who, in addition to the requirements under 7.4(a), shall have the qualification required pursuant to Rule 2900, Part I.A(2A). The chief financial officer need not be engaged full time in the business of the Dealer Member.

(b) Notwithstanding subsection (a), if the chief financial officer of a Dealer Member terminates his/her employment with the Dealer Member and the Dealer Member is unable to immediately appoint another qualified person as chief financial officer, the Dealer Member may, with the Corporation's approval, appoint an officer as acting chief financial officer, provided that within 90 days of the termination:

(1) the acting chief financial officer meets the requirement of subsection (a) and is approved by the Corporation as chief financial officer; or

(2) another qualified person is appointed chief financial officer by the Dealer Member and approved by the Corporation.

7.6 Exemptions

The applicable District Council may grant an exemption, in whole or in part, from any requirement under Rules 7.3 to 7.5, where it is satisfied that to do so would not be prejudicial to the interest of the member, its clients, the public or the Corporation and, in granting such an exemption, it may impose such terms and conditions as it considers necessary.

7.7 Multiple Employments of Officers

Where permitted by the securities legislation of the applicable jurisdiction, a person may be employed as a trading officer of a Dealer Member and affiliated or related Dealer Member or non-member registered dealers provided that:

(a) the reasons for such multiple employments are disclosed to the Corporation;

(b) the Dealer Members employing such a trading officer have filed with the Corporation their policies and procedures that will address any potential for conflicts of interest resulting from such multiple employments; and

(c) the clients of the Dealer Members whose accounts are personally handled by the trading officer are informed of the details of the multiple employments and the potential for conflict of interest.

7.8 Persons Owning or Controlling a Significant Equity Interest in a Dealer Member

(a) Any partner or director of a Dealer Member who directly or indirectly owns or controls 10% or more of the voting shares of a Dealer Member shall have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a)

(b) Any person other than a partner or director, who is actively engaged in the business of a Dealer Member and directly or indirectly owns or controls 10% or more of the voting securities of the Dealer Member, shall have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a).

7.9 Remuneration of Partners, Directors and Officers

No partner, director or officer of a Dealer Member shall accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, benefit or any other consideration from any person other than the Dealer Member, its affiliates or related companies, in respect of the activities carried out by the partner, director or officer on behalf of the Dealer Member, its affiliates or related companies in connection with the sale or placement of securities on behalf of any of them.

7.10 Jurisdiction.

Every person whose application for approval as a partner, director or officer of a member has been accepted shall be subject to the jurisdiction of the Corporation, shall comply with the Rules of the Corporation as they are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her relationship as a partner, director or officer with the Dealer Member in respect of which he or she is approved at the time of such revocation.

7.11 Late Filing Fees re Partners, Officers and Directors

A Dealer Member shall be liable and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure to file within ten business days after the end month a report in writing with respect to the conditions imposed on approval or continued approval of a partner, director, officer of the Dealer Member pursuant to Rule 20.

RULE 8

DEALER MEMBER RESIGNATIONS, AMALGAMATIONS, ETC.

8.1. Repealed.

8.2. Dealer Member which tenders its resignation shall in its letter of resignation state its reasons for resigning and shall file with the Secretary one of:

(a) A balance sheet of the Dealer Member reported upon by the Dealer Member's Auditor without qualification as of such date as the Corporation may require which balance sheet shall indicate that the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or

(b) A report from the Dealer Member's Auditor without qualification that in his or her opinion the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any;

And a report from the Dealer Member's Auditor that clients' free securities are properly segregated and earmarked. If the financial information required by (a) or (b) above is not filed with the letter of resignation the Dealer Member shall indicate in the letter of resignation the date by which such financial information shall be filed.

8.3. Notwithstanding the provisions of Rule 8.2 if the whole or a substantial part of the business and assets of a Dealer Member which is resigning (the "resigning Dealer Member") is being acquired by another Dealer Member (the "remaining Dealer Member"), the resigning Dealer Member may with the approval of the Board of Directors, file (in lieu of the documents required by Rule 8.2(a) or (b)), a letter signed by the remaining Dealer Member under which the remaining Dealer Member accepts responsibility for all outstanding liabilities of the resigning Dealer Member and certifies that the remaining Dealer Member has sufficient liquid assets to meet all liabilities, other than subordinated loans, if any, of both the remaining Dealer Member and the resigning Dealer Member.

8.3A. Notwithstanding the provisions of Rule 8.2 and 8.3, if two or more Dealer Members are amalgamated and continue as one Dealer Member (the "continuing Dealer Member"), the continuing Dealer Member may with the approval of the Board of Directors file (in lieu of the documents required by Rule 8.2(a) or (b)) an acknowledgement and undertaking by the continuing Dealer Member that such Dealer Member accepts responsibility for outstanding fees and all liabilities (outstanding, incurred, contingent or otherwise) of the two or more Dealer Members which are amalgamating and certifies that the continuing Dealer Member has sufficient liquid assets to meet all such liabilities (other than subordinated loans, if any). Unless otherwise determined by the Board of Directors, two or more Dealer Members which amalgamate and continue as one Dealer Member shall not be considered to be a new Dealer Member or a new entity which must re-apply for Membership. Those Dealer Members not continuing due to Amalgamation shall surrender their Membership in the Corporation as part of the amalgamation process. A "surrender" of Membership shall be considered a resignation for purposes of Rule 8.7.

8.3AA Notwithstanding the provisions of Rule 8.2, if a Dealer Member and a non-Dealer Member are amalgamated and the Dealer Member wishes the continuing entity to continue as a Dealer Member, the Dealer Member shall not be required to comply with the provisions of Rule 8.2 if both the Dealer Member and the non-Dealer Member have provided the Corporation with all such financial information as it may require and the Corporation is satisfied with such financial information.

8.3B. Repealed.

8.4. Notice of such letter of resignation shall forthwith be given by the Secretary to the Board of Directors, the applicable District Council, all other Dealer Members, the securities commissions of all of the provinces of Canada and the Bank of Canada.

8.5. Unless the Board of Directors, in its discretion otherwise declares, a resignation shall take effect as of the close of business (5:00 p.m. head office local time), on the date the Secretary receives from the Dealer Member's Auditor a written statement certifying that, in their opinion, based on the balance sheet and/or reports referred to in Rule 8.2, the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any, and if, to the knowledge of the Secretary after due enquiry, the Dealer Member is not indebted to the Corporation and no complaint against the Dealer Member or any investigation of the affairs of the Dealer Member is pending.

8.6. When a Dealer Member signifies in writing its intention to resign, the Secretary shall so advise the Dealer Member resigning and all other Dealer Members, the Board of Directors, the securities commissions of all of the provinces of Canada, the Bank of Canada, and such other persons or bodies as the Secretary may decide through the issuance of a Bulletin within one week of such notification. Similarly, the same shall occur when the resignation of a Dealer Member becomes effective.

8.7. A Dealer Member resigning from the Corporation shall make full payment of its Annual Fees for the fiscal year in which such Dealer Member tenders its resignation. A Dealer Member resigning from the Corporation shall not be entitled to a refund of any part of the Annual Fee for the fiscal year in which its resignation becomes effective unless such resignation is complete in all respects by June 30. For the period April 1 to June 30 the resigning Dealer Member will be subject to monthly pro rata annual fees; part months will be considered as full months. For purposes of this provision, the resignation of a Dealer Member shall be considered effective upon receipt by the Corporation of all fees, and all required documentation, including the results of a termination audit.

8.8. If a Dealer Member has ceased to carry on business as a securities dealer or its business has been acquired by an individual, firm or corporation who or which, as the case may be, is not a Dealer Member of the Corporation, the applicable District Council may, unless the Dealer Member has voluntarily resigned in accordance with this Rule 8, terminate the Membership of the Dealer Member after the Dealer Member has been given the opportunity for a hearing in accordance with the provisions of Rule 20.11. A former Dealer Member whose Membership has been terminated pursuant to the provisions of this Rule 8.8 shall cease to be entitled to exercise any of the rights and privileges of Membership but shall remain liable to the Corporation for all amounts due to the Corporation from the former Dealer Member.

RULE 9

DISTRICT DEALER MEMBERS

9.1. Repealed**.**

9.2. The Dealer Members of a District shall be:

(i) Dealer Member firms having their Head Office in the District;

(ii) Dealer Member firms having one or more branch offices in the District; and

(iii) Dealer Member firms licensed to do business in a District by the Securities Commission in that District.

RULE 10

NATIONAL ADVISORY COMMITTEE

10.1. Repealed.

10.2. Repealed.

10.2A. Repealed.

10.3. Repealed.

10.4. Repealed.

10.5. Repealed.

10.6. Repealed

10.7. Repealed.

10.8. Repealed.

10.9. Repealed.

10.9A. Repealed.

10.10. Repealed.

10.11. Repealed.

10.12. Repealed.

10.13. Repealed.

10.14. Repealed.

10.15. Repealed.

10.16. Repealed.

10.17. Repealed.

10.18. Repealed.

10.18A. Repealed.

10.19. Repealed.

10.20. Repealed.

10.21. Repealed.

10.22. Repealed.

10.23. Repealed.

10.24. Repealed.

10.25. Repealed.

10.26. Repealed.

10.27. Repealed.

10.28. Repealed.

RULE 11

DISTRICT COUNCILS AND MEETINGS

11.1. Repealed.

11.2. Repealed.

11.3. Repealed.

11.4. Repealed.

11.5. Repealed.

11.6. Repealed.

11.7. Repealed.

11.8. Repealed.

11.9. Repealed.

11.10. Repealed.

11.11. Repealed.

11.12. Repealed.

11.13. Repealed.

11.14. Repealed.

11.15. Repealed.

11.16. Repealed.

11.17. Repealed.

11.18. Repealed.

11.19 Repealed.

11.20 Repealed.

11.21. Repealed.

RULE 12

OFFICERS AND THEIR DUTIES

12.1. Repealed.

12.2. Repealed.

12.3. Repealed.

12.4. Repealed.

12.5. Repealed.

12.6. Repealed.

12.7. Repealed.

RULE 13
ELECTION OF
DISTRICT COUNCIL MEMBERS

13.1. Repealed.

13.2. Repealed.

13.3. Repealed.

13.4. Repealed.

13.5. Repealed.

13.6. Repealed.

13.7. Repealed.

13.8. Repealed.

District Council Members

13.9. Repealed.

13.10. Repealed.

13.11. Repealed.

13.12. Repealed.

13.13. Repealed.

13.14. Repealed.

RULE 14

MEETINGS OF THE CORPORATION

14.1. Repealed.

14.2. Repealed.

14.3. Repealed.

14.4. Repealed.

14.5. Repealed.

14.6. Repealed.

RULE 15

CORPORATION ACCOUNTS AND FUNDS AND EXECUTION OF INSTRUMENTS

15.1. Repealed.

15.2. Repealed.

15.3. Repealed.

15.4. Repealed.

15.5. Repealed.

15.6. Repealed.

15.7. Repealed.

15.8. Repealed.

15.9. Repealed.

15.10. Repealed.

RULE 16

DEALER MEMBERS' AUDITORS AND FINANCIAL REPORTING

Panel of Dealer Members' Auditors

16.1. Each District Council shall select annually a panel of accounting firms. In addition, each District Council may at any time appoint one or more additional firms of accountants to or remove one or more firms of accountants from such panel. Except as otherwise provided by the Rules, each Dealer Member shall select from the panel its own auditor and the fees and expenses in respect of each audit or examination shall be paid by the Dealer Member concerned.

Dealer Member Filing Requirements

16.2 Dealer Members subject to the Corporation's audit jurisdiction shall:

(i) File monthly with the Corporation a copy of a financial report of the Dealer Member as at the end of each fiscal month or at such other date as may be agreed with the Corporation. Such monthly financial reports shall contain or be accompanied by such information as may be prescribed by the Corporation from time to time.

(ii) File annually with the Corporation, two copies of the Dealer Member's audited financial statements, as defined in subsection 16.2(iii), as at the end of the Dealer Member's fiscal year or as at such other fixed date as may be agreed upon with the Corporation.

(iii) The Dealer Member's financial statements shall be in such form, shall contain such information and shall be supplemented by such additional schedules as the Corporation may, from time to time, prescribe. The Dealer Member's financial statements shall be filed by the Dealer Member's Auditor within seven weeks of the date as of which the statements are required to be prepared, subject to the extension of time, if any, as the Corporation may grant, upon the request in writing of the Dealer Member's Auditor.

(iv) In calculating the risk adjusted capital of a Dealer Member, the financial position of the Dealer Member may, with the prior approval of the Corporation, be consolidated (in a manner as set out below) with that of any related company of a Dealer Member provided that:

(a) Such related company is subject to all of the Rules of either the Corporation or the Bourse de Montréal Inc.; and

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

(v) The said consolidation permitted shall be carried out in accordance with the following rules or in such other manner as may be acceptable to the Corporation:

(a) Inter-company accounts between the Dealer Member and the related company shall be eliminated;

(b) Any minority interests in the related company shall be eliminated from the capital calculation; and

(c) Calculations with respect to the Dealer Member and the related company shall be as of the same date.

16.3. Repealed.

16.4. Repealed.

Dealer Members' Auditors

16.5. The Dealer Member's Auditor shall conduct his or her examination of the accounts of the Dealer Member in accordance with generally accepted auditing standards and the scope of his or her procedures shall be sufficiently extensive to permit him or her to express an opinion on the Dealer Member's financial statements in the form prescribed in subsection 16.2(iii). Without limiting the generality of the foregoing, the scope of the examination shall, where applicable, include at least the procedures set out in Rule 300.

16.6. Every Dealer Member's Auditor for the purpose of any such examination shall be entitled to free access to all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the Dealer Member being examined, and no Dealer Member shall withhold, destroy or conceal any information, document or thing reasonably required by the Dealer Member's Auditor for the purpose of his examination.

Compliance

16.7. If at any time the District Council is of the opinion that the financial condition or conduct of the business of any Dealer Member has required excessive attention from the Corporation and that it would be in the interests of the Corporation that the Corporation be reimbursed by such Dealer Member, the District Council shall have the power to impose an assessment against such Dealer Member. Any decision of the District Council imposing an assessment shall be in writing and notice thereof shall be given promptly to the Dealer Member and the Corporation.

16.8. The Board of Directors may authorize the Corporation to enter into in its own name agreements or arrangements with any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country for the exchange of any information (including information obtained by the Corporation pursuant to the Rules or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.

16.9. The Corporation, its officers, a District Council, or any other committee of the Corporation authorized by the Board of Directors may provide to any stock exchange, self-regulatory organization, securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country any information obtained by the Corporation or any of the aforesaid persons or Councils pursuant to the Rules or otherwise in their possession and may provide other forms of assistance for surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.

16.10. Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member, its auditors or any person acting on its behalf, to file any report, form, financial statement or other information required under this Rule 16 within the times prescribed by this Rule 16, the Board of Directors, the Corporation or the terms of such report, form, financial statement or other information, as the case may be.

RULE 17

DEALER MEMBER MINIMUM CAPITAL, CONDUCT OF BUSINESS AND INSURANCE

17.1. Every Dealer Member shall have and maintain at all times risk adjusted capital greater than zero calculated in accordance with Form 1 and with such requirements as the Board of Directors may from time to time prescribe. If at any time the risk adjusted capital of a Dealer Member is, to the knowledge of such Dealer Member, less than zero, such Dealer Member shall immediately notify the Corporation.

17.2. Every Dealer Member shall keep and maintain at all times a proper system of books and records.

17.2A. Every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600.

17.3. All fully paid or excess margin securities held by a Dealer Member for a client shall be segregated and identified as being held in trust for such client in accordance with the Rules. For the purposes of Rules 17.3, 17.3A and 17.3B, a client means any person who maintains an account with a Dealer Member.

17.3A. The securities of all clients of a Dealer Member held in accordance with Rule 17.3 may be segregated in bulk for all such clients, other than those clients whose securities are held apart from all other securities pursuant to a written safekeeping agreement.

17.3B. The Board of Directors may prescribe by Rule the manner in which securities owned or held by a Dealer Member or held by a Dealer Member for the account of a client are to be segregated and held including, without limitation, the locations in which securities may be held and the manner in which the amount or value of securities to be segregated shall be calculated.

17.4. Every Dealer Member shall fulfil its contracts and any Dealer Member which in the ordinary course of business finds that any other Dealer Member refuses or is unable to fulfil its contracts shall immediately report such fact to the Corporation.

17.5. Every Dealer Member shall effect and keep in force insurance against such losses, and in such minimum amount or amounts in respect of such losses or any of them, as the Board of Directors may from time to time by Rule prescribe.

17.6. Every Dealer Member shall give to the Corporation written notice, with all available particulars, of any claim (other than client losses relating to lost document bonds) reported in writing by the Dealer Member to its insurers or their authorized representatives arising under the Financial Institution Bond or Bonds which such Dealer Member is required to effect and keep in force under Rule 400.2. Such notice shall be given within two business days of the Dealer Member so reporting to the insurer or its authorized representative.

17.7. Upon application by a Dealer Member, the applicable District Council on the recommendation of the Corporation may, in its discretion, reduce the minimum amount of insurance required to be maintained by a Dealer Member pursuant to Rule 400.4 if such Dealer Member can establish that the total exposure of such Dealer Member to the types of losses referred to in Rule 400.2 will not exceed the minimum amount of insurance required by Rule 400.4.

17.8. A reduction in the minimum amount of insurance required which is granted pursuant to Rule 17.7 shall be valid for a period of six months, after which it may be renewed upon application by the Dealer Member to the applicable District Council which shall only act after receiving the recommendation of the Corporation.

17.9. An application of a Dealer Member pursuant to 17.7 and 17.8 shall be made to the applicable District Council in care of the Corporation.

17.10. No Dealer Member shall publish or circulate any financial statement unless such statement is accompanied by a report of the Dealer Member's Auditor upon such statement.

17.11. Every Dealer Member shall obtain from clients and maintain in respect of its own account such minimum margin in such amount and in accordance with such requirements as the Board of Directors may from time to time by Rule prescribe. Such minimum margin shall be used for calculations pursuant to Form 1.

17.12. No Dealer Member shall on less than 20 days' prior notice (i) to the Corporation, change its name, effect or permit any change in its constitution affecting voting rights, take any steps to dissolve, wind-up, surrender its charter or liquidate or dispose of all or substantially all of its assets, (ii) to the Corporation, effect or permit any alteration in its capital structure including the allotment, issue, repurchase, redemption, cancellation, subdivision or consolidation of any shares in its capital. In either case, the Dealer Member shall not proceed with such action if within such 20-day period it is advised that the matter is to be submitted to the applicable District Council for approval. The applicable District Council may review any matter so submitted to it and either approve or disapprove of the proposed action if it considers that the action may result in the Dealer Member being unable to comply with the Rules of the Corporation.

17.13. Each Dealer Member shall from time to time furnish to an officer of the Corporation such statistical information with respect to such Dealer Member's business as, in the opinion of the Board of Directors, may be necessary in the interests of all the Dealer Members of the Corporation provided that no request for such information shall be made of any Dealer Member unless approved by the Board of Directors.

17.14. A Dealer Member engaged in trading in any securities or commodity futures contracts or options listed on or issued by a recognized stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization, as the case may be, in respect of which the Rules or any Rulings do not prescribe specific standards or requirements, shall comply with the provisions of the relevant bylaws and regulations of such stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization in effect from time to time to the extent not inconsistent with the Rules. For the purposes of this Rule 17.14, the Board of Directors shall, from time to time, designate recognized stock exchanges, futures exchanges, clearing or service corporations, or other listing or issuing organizations.

17.15. The Board of Directors may exempt a Dealer Member from the requirements of any provision of the Rules where it is satisfied that to do so would not be prejudicial to the interests of the Dealer Members, their clients or the public and in granting such exemption the Board of Directors may impose such terms and conditions as are considered necessary.

17.16 Every Dealer Member shall establish and maintain a business continuity plan identifying the necessary procedures to be undertaken during an emergency or significant business disruption. Such procedures shall be reasonably designed to enable the Dealer Member to stay in business in the event of a future significant business disruption in order to meet obligations to its customers and capital markets counterparts and shall be derived from the Dealer Member's assessment of its critical business functions and required levels of operation during and following a disruption.

Every Dealer Member shall update its plan in the event of any material change to its operations, structure, business or location. Every Dealer Member must also conduct an annual review and test of its business continuity plan to determine whether any modifications are necessary in light of changes to the member's operations, structure, business, or location. The Corporation, in its discretion, may require this annual review to be performed by a qualified third party.

RULE 18

REGISTERED REPRESENTATIVES AND INVESTMENT REPRESENTATIVES

18.1. For the purposes of Rule 18, the Toronto, Montreal and TSX Venture Exchanges are recognized stock exchanges

18.2. No Dealer Member shall employ any person as a registered representative or investment representative in any province in Canada unless:

(a) Such person is registered or licensed to sell securities under the statute relating to the sale of securities in the province in which the person proposes to act as a registered representative or investment representative; and

(b) Approval as a registered representative or investment representative has been granted by the Corporation in accordance with the provisions of this Rule.

18.3. Approval as a registered representative or investment representative may be granted where the applicant has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900.

18.4. Failure to satisfy paragraph A.3(c) of Part I of Rule 2900 will result in the automatic suspension of approval. Approval will be reinstated only at such time as the individual has satisfied the applicable course requirement.

18.5. Upon approval as a registered representative, (other than a registered representative (non-retail)) or investment representative, a six-month period of supervision, as outlined in Rule 18.6, unless he or she has worked for at least two years in a registered capacity with a securities firm which is a Dealer Member of a self-regulatory organization or a recognized foreign self-regulatory organization.

18.6. Upon approval as a registered representative or investment representative, commence and complete a six-month period of supervision defined to be in accordance with the "Registered/Investment Representative Monthly Supervision Report" as specified by the Board of Directors. A copy of this report must be maintained on file by the Dealer Member, for inspection by the Corporation.

18.7. Provided that it is not contrary to either the provisions of the appropriate securities or insurance legislation or any policy made pursuant thereto, the Corporation may grant approval of a person as a registered representative (mutual funds) or an investment representative (mutual funds) if, at the date of such application, the person

(a) Is employed by a Dealer Member solely for the purpose of soliciting orders for mutual fund securities or mutual fund securities and contracts of life insurance;

(b) Is registered under any applicable securities or insurance legislation of each jurisdiction in which he or she deals with the public to sell mutual fund securities or mutual fund securities and contracts of life insurance, as the case may be; and

(c) Has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900;

Provided that, in the course of employment with a Dealer Member firm, such person shall not accept orders for the purchase or sale of any securities other than mutual fund securities or contracts of life insurance and provided, further, that the Dealer Member establishes and maintains procedures approved by the Corporation to ensure compliance by such person with the Rules and Rulings.

18.8. Provided that it is not contrary to the provisions of the appropriate securities legislation or any policy made thereto, the Corporation may grant approval of a person as a registered representative (non-retail) if, at the date of such application, such person is employed by a Dealer Member for the purposes of engaging in the activities of a registered representative solely with or in respect of the

accounts of non-retail clients or on account of the Dealer Member. For the purposes of this Rule "non-retail" clients shall be defined as:

- Acceptable Counterparties;
- Acceptable Institutions;
- Registrants under securities legislation or members of a recognized stock exchange;
- qualified Institutions registered in the United States which include:
  - (1) Institutions (e.g. pension funds, investment companies, financial institutions other than banks, partnerships and industrial companies, but not individuals), that own or have investment discretion over $100 million of securities.
  - (2) Banks and savings and loan associations that own or have investment discretion over $100 million in securities and have a net worth of at least $25 million;
- Foreign Broker Dealers that are members of the following self-regulatory organizations: any Canadian SRO, the International Stock Exchange in the UK and any Stock Exchange registered with the United States Securities and Exchange Commission.

18.9. Notwithstanding the provisions of Rule 18.3, the Corporation may grant approval of a person in the category of "Options Representative – Restricted" if, at the date of such application, such person is approved as a Registered Futures Contract Representative pursuant to Rule 1800 and;

(a) Takes or solicits orders only for trades in options for which the underlying interest is not an equity security; and

(b) Has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900.

18.10. Repealed.

18.11. Every person whose application for approval as a registered representative or investment representative of a Dealer Member has been accepted shall be subject to the jurisdiction of the Corporation, shall comply with the Rules and Rulings of the Corporation as the same are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her employment as a registered representative or investment representative with the Dealer Member with whom he or she is employed at the time of such revocation.

18.12. Repealed.

18.13. The Corporation shall give notice to all recognized stock exchanges in Canada and to all securities commissions in Canada of all approvals of registered representatives, investment representatives and of all revocations or terminations of approval of registered representatives and investment representatives.

18.14. A registered representative or investment representative may have, and continue in, another gainful occupation if:

(a)

(i) Either the registered representative's or investment representative's other gainful occupation is in a remote area where there is no office of a broker or dealer in securities and the designated registered representative's or investment representative's activities as such are limited to such remote area in which he or she resides; or

(ii) The securities commission in the jurisdiction in which the registered representative or investment representative acts or proposes to act as a registered

representative or investment representative, or the securities legislation or policies administered by such securities commission, specifically permit him or her to devote less than his or her full time to the securities business of the Dealer Member employing him or her; and

(b) The Dealer Member employing such registered representative or investment representative acknowledges in writing to the Corporation its responsibility for the supervision of such registered representative or investment representative; and

(c) The Dealer Member establishes and maintains procedures approved by the Corporation to ensure continuous service to clients and to address potential problems of conflict of interest; and

(d) Any other occupation of the registered representative or investment representative must not be:

(i) Such as to bring the securities industry into disrepute; or

(ii) With another Dealer Member of a recognized self-regulatory organization unless

(1) Such Dealer Member is a related company of the Dealer Member employing the registered representative or investment representative and the Dealer Member and related company provide cross-guarantees pursuant to Rule 6.6, and

(2) Such dual employment is not contrary to the provisions of the applicable securities legislation or any policy made pursuant thereto.

18.15. No registered representative or investment representative in respect of a Dealer Member shall accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, benefit or any other consideration from any person other than the Dealer Member or its affiliates or its related companies, in respect of the activities carried out by such registered representative or investment representative on behalf of the Dealer Member or its affiliates or its related companies and in connection with the sale or placement of securities on behalf of any of them.

18.16. No Dealer Member shall permit a registered representative or investment representative who has been approved in accordance with this Rule to use a designation other than “registered representative”, “registered representative (mutual funds) or (non-retail)”, “investment representative” or “investment representative (mutual funds) or (non-retail)”, as the case may be, when dealing with the public.

18.17. Nothing in Rule 18.16 shall preclude a registered representative or investment representative from using another designation contained in the Corporation’s Rules, provided that he or she has been approved for such designation according to the appropriate Rules.

18.18. Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member to file within ten business days of the end of each month a report with respect to the conditions imposed on approval or continued approval of a registered representative, restricted registered representative, investment representative or restricted investment representative of the Dealer Member pursuant to Rule 20.

RULE 19

EXAMINATIONS AND INVESTIGATIONS

19.1. The Corporation shall make such examinations of and investigations into the conduct, business or affairs of any Dealer Member, registered representative, investment representative, sales manager, branch manager, assistant or co-branch manager, partner, director or officer, investor or employee of a Dealer Member or any other person approved or seeking approval or under the jurisdiction of the Corporation pursuant to the Rules as he or she considers necessary or desirable in connection with any matter relating to compliance by such person with (i) the Rules or Rulings of the Corporation, (ii) any legislation applicable to such person concerning trading in securities or commodity contracts, including any rulings, policies, regulations or directives of any securities commission, or (iii) the by-laws, rules, regulations and policies of any self-regulatory organization. The Dealer Member shall require all employees to comply with Rule 19.

19.2. Any examination or investigation made pursuant to Rule 19.1 may be instituted upon the basis of (i) a complaint received by or directed to the Corporation, (ii) the direction of the Board of Directors, (iii) the request of a securities commission having jurisdiction, or (iv) any information received or obtained relating to the conduct, business or affairs of the Dealer Member or person involved.

Complaints

19.3. Any complaint made to the Corporation against a Dealer Member or a person approved or seeking approval pursuant to the Rules may be required to be put in writing and signed by the person making the complaint.

19.4. Each Dealer Member shall keep an up-to-date record in a central place of all written complaints received by it relating to the conduct, business and affairs of the Dealer Member, any registered representative, investment representative, branch manager, assistant or co-branch manager, sales manager, partner, director or officer, or any person employed by the Dealer Member, for a period of 24 months from the date of receipt of the complaint.

Investigatory Powers

19.5. For the purpose of any examination or investigation pursuant to this Rule 19, a Dealer Member, registered representative, investment representative, sales manager, branch manager, assistant or co-branch manager, partner, director, officer, investor or employee of a Dealer Member or any other person approved or seeking approval or under the jurisdiction of the Corporation pursuant to the Rules, may be required by the Corporation:

(a) To submit a report in writing with regard to any matter involved in any such investigation;

(b) To produce for inspection and provide copies of any books, records, accounts and documents, that are in the possession or control of the Dealer Member or the person, that the Corporation determines may be relevant to a matter under examination or investigation and such information, books, records and documents shall be provided in such manner and form, including electronically, as may be required by the Corporation; and

(c) To attend and give information respecting any such matters;

And the person shall be obliged to submit such report, to permit such inspection, provide such copies and to attend, accordingly. Any person subject to an investigation conducted pursuant to this Rule 19 shall be advised in writing of the matters under investigation and may be invited to make submission by statement in writing, by producing for inspection books, records and

accounts and by attending before the persons conducting the investigation. The person conducting the investigation may, in his or her discretion, require that any statement given by any person in the course of an investigation be recorded by means of an electronic recording device or otherwise and may require that any statement be given under oath.

19.6. For the purpose of any examination or investigation pursuant to this Rule 19, the Corporation shall be entitled to free access to, and to make and retain copies of, all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the person concerned, and no such person shall withhold, destroy or conceal any information, documents or thing reasonably required for the purpose of such examination or investigation.

19.7. The Corporation may, in accordance with any information received:

(a) Refer a matter to the applicable District Council for consideration in accordance with the provisions of Rule 20; or

(b) Take such other action under the Rules or Rulings which he or she considers appropriate in the circumstances.

19.8. A Dealer Member or any person approved by, or under the jurisdiction of, the Corporation, that is requested by The TSX Venture Exchange, The Montreal Exchange or The Toronto Stock Exchange to provide information in connection with an investigation of trading of a security listed on that exchange shall submit the requested information, books, records, reports, filings and papers to the exchange making the request in such manner and form, including electronically, as may reasonably be prescribed by such exchange.

RULE 20

CORPORATION HEARING PROCESSES

PART 1 - DEFINITIONS

20.1 In this Rule:

"Applicant" means:

an individual or Firm that applies for approval or membership pursuant to Part 7 of this Rule or an Approved Person or Dealer Member that applies for an exemption pursuant to Part 8 of this Rule.

"Business days" means:

a day other than Saturday, Sunday or any officially recognized Federal statutory holiday or any officially recognized Provincial statutory holiday in the applicable District. In calculating the number of business days, the days on which the events happen are excluded.

"Calendar days" means:

all days in a calendar year. In calculating the number of calendar days, the days on which the events happen are excluded.

"Decision" means:

a determination, including reasons, arrived at after consideration of facts and/or law by a Decision-maker pursuant to this Rule. Decision includes rulings and orders.

"Decision-maker" means:

the person or body making the decision under the respective provision of Rule 20. The Decision-maker can be: Corporation Staff (20.18 Part 7 Rule 20, 20.24 Part 8 Rule 20); the District Council or a sub-committee of the District Council (20.18 and 20.20 Part 7 Rule 20, 20.24 and 20.25 Part 8 Rule 20); the Board of Directors; (20.21 Part 7 Rule 20), a Board Panel; (20.22 Part 7 Rule 20), a District Council Panel; (20.26 Part 8 Rule 20), a Hearing Panel; (20.13 Part 6 Rule 20); and an Appeal Panel; (20.51 Part 11 Rule 20).

"Disciplinary Hearing" means:

A hearing held by a Hearing Panel, under Rule 20.33 or Rule 20.34, that is not a settlement hearing, to determine whether the imposition of penalties against an Approved Person or Dealer Member is warranted for any of the reasons set out in Rule 20.33(1) or Rule 20.34(1).

"Former Judge" means:

an individual who has served as a judge in any provincial or federal court in Canada or an individual who is or has been qualified to practice law and has served as an adjudicator on an administrative tribunal in Canada.

“Hearing Panel” means:

a panel that is appointed pursuant to the Hearing Committees and Hearing Panels Rule to perform an approval review hearing (20,19 Part 8 Rule 20), an early warning level 2 review hearing (20.29 Part 9 Rule 20), a Disciplinary Hearing (20.33 and 20.34 Part 10 Rule 20), a settlement hearing (20.36 Part 10 Rule 20), an expedited hearing (20.45 and 20,46 Part 10 Rule 20), or an expedited review hearing (20.47 Part 10 Rule 20).

"Monitor" means:

a Monitor appointed pursuant to Rule 20.46 to monitor the company's business and financial affairs and to act in furtherance of powers granted by a Hearing Panel.

“Panel” means:

a Hearing Panel, a District Council Panel (20.26 Part 8 Rule 20) and an Appeal Panel (20.51 Part 11 Rule 20).

"Release of Decision" means:

when a decision made under this Rule is made available to the Respondent, Applicant, Approved Person or Dealer Member pursuant to the Corporation Practice and Procedure.

"Respondent" means:

an Approved Person or Dealer Member who is the subject of a disciplinary hearing, settlement hearing, expedited hearing, or appeal hearing under Rule 20.

"Settlement Agreement" means:

an agreement reached by the Corporation and the Respondent whereby the parties agree to disciplinary charges, facts and penalty.

Terms used in this Rule 20 which are not defined herein shall have the same meanings as used or defined in the Hearing Committees and Hearing Panels Rule.

PART 2 -- GENERAL AUTHORITY OF PANELS

20.2 Exercise Of Authority

(1) A Panel may make any determination, hold any hearing and make any decision, order, interim order or impose any terms required to implement such order, required or permitted under Rule 20 or under the Corporation Practice and Procedure.

(2) A Panel is not bound by any legal or technical rules of evidence and may admit as evidence in a hearing, whether or not given or proven under oath or affirmation, anything that is relevant to the proceedings.

(3) A Panel may require presentation of evidence or testimony under oath or affirmation.

PART 3 -- DECISION-MAKING AND EFFECTIVENESS OF DECISIONS

20.3 Repealed.

20.4 Territorial Application of Decisions

(1) Any decision made under this Rule shall have effect in all of the Districts, unless otherwise ordered by the Decision-maker or unless such extension or application of the decision is limited by law.

20.5 Effective Date of Decision

(1) Any decision made pursuant to Rule 20 shall become effective on the date that the decision is made, unless it provides otherwise.

(2) Notwithstanding subsection (1), a decision made pursuant to Rule 20.28 shall become effective as prescribed in Rule 20.29(3).

20.6 Effective Date of Penalties

(1) Suspensions, bars, expulsions, restrictions or other conditions or terms imposed on approval or Membership commence as of the effective date of the decision, unless otherwise determined by the Decision-maker.

(2) Any fine imposed on a Respondent shall be payable immediately when the decision becomes effective unless otherwise agreed by the parties.

PART 4 - CONTINUING JURISDICTION

20.7 Former Dealer Members and Approved Persons

(1) For the purposes of Rule 19 and Rule 20, any Dealer Member and any Approved Person shall remain subject to the jurisdiction of the Corporation for a period of five years from the date on which such Dealer Member or Approved Person ceased to be a Dealer Member or an Approved Person of the Corporation, subject to subsection (2).

(2) An enforcement hearing under Part 10 of this Rule may be brought against a former Approved Person who re-applies for approval under Part 7 of this Rule, notwithstanding expiry of the time period set out in subsection (1).

(3) An Approved Person whose approval is suspended or revoked or a Dealer Member who is expelled from membership or whose rights or privileges are suspended or terminated shall remain liable to the Corporation for all amounts owing to the Corporation.

PART 5 - HEARING COMMITTEE

20.8 Repealed.

20.9 Repealed.

20.10 Repealed.

20.11 Repealed.

20.12 Repealed.

PART 6 - DECISION-MAKERS

20.13 Repealed.

20.14 Repealed.

20.15 Repealed.

20.16 Repealed.

20.17 Repealed.

PART 7 - INDIVIDUAL AND MEMBERSHIP APPROVALS

APPROVAL APPLICATIONS

20.18 Powers of District Council

(1) The District Council shall have the power, which it may delegate to a Sub-Committee of the District Council comprised of three industry members or to Corporation Staff, to:

(a) approve an application for approval as, or the transfer of a:

(i) sales manager, branch manager, assistant or co-branch manager, pursuant to Rule 4,

(ii) partner, director or officer, pursuant to Rule 7,

(iii) registered representative or investment representative, pursuant to Rule 18,

(iv) trader, pursuant to Rule 500, or

(v) portfolio manager, futures contracts portfolio manager and associate portfolio manager pursuant to Rule 1300.

(2) The District Council shall have the power, which it may delegate to a Sub-Committee of the District Council, pursuant to subsection (1), to:

(a) approve an application for approval or transfer referred to in Rule 20.18(1)(a) subject to such conditions as may be considered just and appropriate;

(b) refuse an application for approval or transfer referred to in Rule 20.18(1)(a), if in its opinion:

(i) the Applicant does not meet any requirements prescribed by the Rules or Rulings;

(ii) the Rules and Rulings of the Corporation will not be complied with by the Applicant;

(iii) the Applicant is not qualified for approval by reason of integrity, solvency, training or experience; or

(iv) such approval is otherwise not in the public interest.

20.19 Review Hearings

(1) Corporation Staff or the Applicant may request a review of an approval decision by a Hearing Panel within ten business days after release of the decision.

(2) If a review is not requested within ten business days after release of the decision, the approval decision becomes final.

(3) No member of a District Council who has participated in a decision to refuse an application or impose conditions on an application, pursuant to Rule 20.18, shall participate on the Hearing Panel.

(4) A review hearing held under this Part shall be held in accordance with the Corporation Practice and Procedure.

(5) The Hearing Panel may:

(a) affirm the decision;

(b) quash the decision;

(c) vary or remove any terms and conditions imposed on approval;

(d) limit the ability to re-apply for approval for such period of time as it determines just and appropriate; and

(e) make any decision that could have been made by the District Council pursuant to Rule 20.18.

(6) No appeal shall be available from the decision of the Hearing Panel.

MEMBERSHIP APPLICATIONS

20.20 Recommendation of District Council

(1) The District Council, or a Sub-Committee of the District Council comprised of three industry members established pursuant to Rule 11, shall make a recommendation to the Board of Directors to:

(a) approve an application for Membership made pursuant to Section 3.5 of General By-law No. 1;

(b) approve the application subject to such terms and conditions as may be considered just and appropriate; or

(c) refuse the Application if, in the opinion of the District Council or the Sub-committee of the District Council:

(i) the Applicant does not meet any requirements prescribed by the Rules or Rulings;

(ii) the Rules and Rulings of the Corporation will not be complied with by the Applicant;

(iii) the Applicant is not qualified for approval by reason of integrity, solvency, or experience; or

(iv) such approval is otherwise not in the public interest.

20.21 Applicant opportunity to be heard by the Board of Directors

(1) Prior to the consideration of an application for Membership by the Board of Directors, the Applicant shall be:

(a) provided with copies of the Corporation staff recommendation, the District Council recommendation and any other documents to be provided to the Board of Directors relating to the consideration of its Application; and

(b) informed that it has an opportunity to be heard by the Board of Directors prior to the Board deciding on its Application.

The Applicant must inform the Corporation within ten (10) business days of its receipt of these recommendations and other documents whether it wants to heard by the Board of Directors prior to the Board deciding on its Application.

20.22 Powers of the Board of Directors

(1) The Board of Directors shall have the power to:

(a) approve an application for Membership made pursuant to Section 3.5 of General By-law No. 1;

(b) approve the application subject to such terms and conditions as may be considered just and appropriate;

(c) refuse the application if, in its opinion:

(i) the Rules and Rulings of the Corporation will not be complied with by the Applicant;

(ii) the Applicant is not qualified for approval by reason of integrity, solvency, or experience; or

(iii) such approval is otherwise not in the public interest.

20.23 District Council Powers -- Exemption for Payment of Entrance Fee

(1) Notwithstanding Rule 20.20 , Rule 20.21 and Rule 20.22, if an Applicant is exempted from payment of the Entrance Fee and has met all Membership application conditions pursuant to Section 3.5 of General By-law No. 1, except any conditions the District Council has waived in the circumstances, the District Council may approve the application for Membership without referral to the Board of Directors for final decision.

PART 8 - EXEMPTION REQUEST APPLICATIONS

PROFICIENCY EXEMPTIONS

20.24 Powers of District Councils

(1) Persons may apply for a proficiency exemption pursuant to Rule 2900.

(2) The District Council, or a Sub-Committee of the District Council comprised of three industry members and established pursuant to Rule 11, shall have the power, to:

(a) exempt any person or class of persons from proficiency requirements, pursuant to paragraph B of Rule 2900 - Part I Proficiency Requirements on such terms and conditions, if any, as it may determine;

(b) exempt any person from writing or re-writing any required course or examination, pursuant to paragraph C of Rule 2900 - Part II Course and Examination Exemptions, on such terms and conditions, if any, as it may determine; or

(c) exempt any person from the Continuing Education Program requirements, pursuant to Section A.3 of Rule 2900 -- Part III The Continuing Education Program, on such terms and conditions, if any, as it may determine.

(3) The District Council, or a Sub-Committee of the District Council comprised of three industry members and established pursuant to Rule 11, may delegate the power to approve or refuse proficiency exemptions to Corporation Staff.

INTRODUCING CARRYING BROKER ARRANGEMENT EXEMPTIONS

20.25 Powers of District Councils

(1) Dealer Members may apply for an exemption from the introducing carrying broker arrangement requirements pursuant to Rule 35.

(2) The District Council, or a sub-committee of the District Council, established pursuant to Rule 11, shall have the power to:

(a) exempt any Dealer Member from any of the requirements of Rule 35 on such terms and conditions, if any, as it determines to be just and appropriate; and

(b) exempt any arrangements between a Dealer Member and a Dealer Member’s foreign affiliate, pursuant to Rule 35.6, from the requirements of Rule 35 on such terms and conditions, if any, as it determines to be just and appropriate.

(3) The Dealer Member shall comply with any rules applicable to introducing carrying broker arrangement exemption applications prescribed by the Corporation Practice and Procedure.

(4) The Dealer Member shall be provided with notice of the decision where the exemption is granted and the decision with reasons where the exemption is refused or granted subject to conditions.

EXEMPTION REVIEW HEARINGS

20.26 Review Hearings

(1) The Applicant or Corporation Staff may apply for a review of the District Council decisions pursuant to Rule 20.24 or Rule 20.25 within ten business days after release of the decision.

(2) If the Applicant does not request a review within the time period prescribed in subsection (1), the District Council decision to refuse the exemption request application or approve the exemption request application subject to terms and conditions, shall become final.

(3) If Corporation Staff requests a review within the time period prescribed in subsection (1), the request for review shall operate as a stay from the District Council decision.

(4) A review of a District Council decision shall be heard by a District Council Panel comprised of three members of the District Council. No member of a District Council who participated in the District Council decision shall sit on the District Council Panel.

(5) The District Council Panel may:

(a) affirm the decision;

(b) quash the decision;

(c) vary or remove any terms and conditions imposed on an Applicant; and

(d) make any decision that could have been made by the District Council or a sub-committee of the District Council pursuant to Rule 20.24 and Rule 20.25.

(6) No appeal shall be available from the decision of the District Council Panel.

20.27 Costs

(1) The District Council Panel may order against the Applicant any costs associated with the exemption request review hearing determined to be appropriate and reasonable.

(2) Costs shall not be assessed where the District Council Panel grants the exemption request.

PART 9 - EARLY WARNING REVIEW PROCEEDINGS

20.28 Imposition of Prohibitions - Early Warning Level 2

(1) The Corporation may order that a Dealer Member designated as being in Early Warning Level 2, pursuant to Rule 30, be prohibited from:

(a) opening any new branch offices;

(b) hiring any new registered representative, or investment representative;

(c) opening any new customer accounts; or

(d) changing, in any material respect, the inventory positions of the Dealer Member.

(2) Written notice of an order made under subsection (1) shall be provided to the Dealer Member.

20.29 Review of Early Warning Level 2 Prohibitions

(1) The Dealer Member may request a review of a Rule 20.28 order by a Hearing Panel within three business days after release of the decision.

(2) If a request for review is made, the hearing shall be held as soon as reasonably possible and no later than twenty-one calendar days after the request for review, unless otherwise agreed by the parties.

(3) If a Dealer Member does not request a review within the time period prescribed in subsection (1), the Rule 20.28 order becomes effective and final.

(4) A Hearing Panel may:

(a) affirm the order;

(b) quash the order; or

(c) vary or remove any prohibitions imposed on the Dealer Member; and

(d) make any decision that could have been made by the Corporation pursuant to Rule 20.28.

(5) No appeal shall be available from the decision of the Hearing Panel.

PART 10 -- ENFORCEMENT HEARINGS

INITIATION OF ENFORCEMENT HEARINGS

20.30

(1) The Corporation may hold hearings, as set out under this Rule, in order to ensure compliance with and enforcement of the Rules and Rulings and federal or provincial statutes, regulations, rulings or policies relating to trading or advising in respect of securities or commodities.

(2) The categories of enforcement hearings under Rule 20 are: disciplinary hearings; settlement hearings and expedited hearings. Enforcement hearings shall be conducted in accordance with this Rule and the Corporation Practice and Procedure.

POWERS OF COMPULSION

20.31 Dealer Members, Approved Persons and Corporation Staff

(1) Every Dealer Member, Approved Person and Corporation Staff member shall:

(a) attend and give evidence respecting any matter relevant to hearings pursuant to Rule 20.33, Rule 20.34 or Rule 20.42 upon receipt of notice from the National Hearing Coordinator or his or her designate or order of a Hearing Panel; and

(b) produce for inspection and provide copies of any books, records, accounts and documents that are in the possession or control of the Dealer Member or Approved Person, to a Hearing Panel upon receipt of notice from the National Hearing Coordinator or order of the Hearing Panel.

(2) Failure to comply with subsections 1(a) or (b) constitutes a contravention of the Rules and may result in disciplinary action under Rule 20.33 or Rule 20.34.

20.32 Partners, Directors, Officers and Employees of Members

(1) Where a Hearing Panel requires the attendance before it of any partner, director, officer or employee of a Dealer Member, who is not an Approved Person, the Dealer Member shall direct such employee to attend and to give information or make such production of documents as can be required of a person referred to in Rule 20.31.

(2) Failure by the Dealer Member to comply with subsection (1) constitutes a contravention of the Rules and may result in disciplinary action under Rule 20.34.

PENALTIES

20.33 Approved Persons

(1) Upon conclusion of a disciplinary hearing, a Hearing Panel may impose the penalties set out at 20.33(2) if, in the opinion of the Hearing Panel, the Approved Person:

(a) failed to comply with or carry out the provisions of any federal or provincial statute, regulation, ruling or policy relating to trading or advising in respect of securities or commodities;

(b) failed to comply with the provisions of any Rule or Ruling of the Corporation; or

(c) failed to carry out an agreement or undertaking with the Corporation.

(2) Pursuant to subsection (1), a Hearing Panel may impose any one or more of the following penalties upon the Approved Person:

(a) a reprimand;

(b) a fine not exceeding the greater of:

(i) $1,000,000 per contravention; and

(ii) an amount equal to three times the profit made or loss avoided by such Approved Person by reason of the contravention.

(c) suspension of approval for any period of time and upon any conditions or terms;

(d) terms and conditions of continued approval;

(e) prohibition of approval in any capacity for any period of time;

(f) termination of the rights and privileges of approval;

(g) revocation of approval;

(h) a permanent bar from approval with the Corporation; or

(i) any other fit remedy or penalty.

20.34 Dealer Members

(1) Upon conclusion of a disciplinary hearing, a Hearing Panel may impose the penalties set out at Rule 20.34(2) if, in the opinion of the Hearing Panel, the Dealer Member:

(a) failed to comply with or carry out the provisions of any federal or provincial statute, regulation, ruling or policy relating to trading or advising in respect of securities or commodities;

(b) failed to comply with the provisions of any Rule or Ruling of the Corporation;

(c) failed to carry out an agreement or undertaking with the Corporation; or

(d) failed to meet liabilities to another Dealer Member or to the public.

(2) Pursuant to subsection (1), a Hearing Panel may impose any one or more of the following penalties upon the Dealer Member:

(a) a reprimand;

(b) a fine not exceeding the greater of:

(i) $5,000,000 per contravention; and

(ii) an amount equal to three times the profit made or loss avoided by the Dealer Member by reason of the contravention;

(c) suspension of the rights and privileges of the Dealer Member (and such suspension may include a direction to the Dealer Member to cease dealing with the public) for any period of time and upon any conditions or terms;

(d) terms and conditions of continued Membership;

(e) termination of the rights and privileges of Membership;

(f) expulsion of the Dealer Member from membership in the Corporation; or

(g) any other fit remedy or penalty.

SETTLEMENT HEARINGS

20.35 Negotiation of Settlement Agreements

(1) Corporation Staff may negotiate a Settlement Agreement with any Approved Person or Dealer Member.

(2) The parties to a Settlement Agreement may agree to the imposition of any of the penalties prescribed by Rule 20.33 or Rule 20.34.

(3) Settlement discussions may occur at any time until the conclusion of a settlement hearing or a disciplinary hearing.

(4) All negotiations of a Settlement Agreement are conducted on a without prejudice basis to the Corporation and all other persons involved in the negotiations and cannot be used as evidence or referred to in any proceedings.

20.36 Hearing Panel Powers

(1) Upon conclusion of a settlement hearing, the Hearing Panel may either:

(a) accept the Settlement Agreement; or

(b) reject the Settlement Agreement.

(2) Settlement Agreements shall become effective and binding upon Corporation Staff and an Approved Person or Dealer Member upon acceptance by a Hearing Panel. An Approved Person or Dealer Member shall be deemed to have been penalized pursuant to Rule 20.33 or Rule 20.34 upon acceptance of a Settlement Agreement by a Hearing Panel.

20.37 Acceptance Of Settlement Agreement

(1) The decision of a Hearing Panel accepting a Settlement Agreement shall constitute final disciplinary action of the Corporation and no appeal shall be available from the decision.

20.38 Rejection of Settlement Agreement -- Proceeding to a Subsequent Settlement Hearing

(1) If a Settlement Agreement is rejected by a Hearing Panel, the parties may agree to enter into another Settlement Agreement.

(2) No member of the Hearing Panel that presided over the initial settlement hearing shall sit on the Hearing Panel presiding over the subsequent settlement hearing.

(3) The reasons for rejecting a Settlement Agreement shall not be made public upon rejection of the initial settlement hearing, but shall be made available to a Hearing Panel presiding over the subsequent settlement hearing.

20.39 Rejection of Settlement Agreement -- Proceeding to A Disciplinary Hearing

(1) If a Settlement Agreement or a subsequent Settlement Agreement is rejected by a Hearing Panel, the Corporation may proceed to a disciplinary hearing based on the same or related disciplinary charges pursuant to Rule 20.33 or Rule 20.34.

(2) No member of the Hearing Panel that presided over the settlement hearing or subsequent settlement hearing shall sit on a Hearing Panel constituted for a disciplinary hearing on the same or related disciplinary charges.

20.40 Rejection of Settlement Agreement

(1) There shall be no appeal from a decision of a Hearing Panel rejecting a Settlement Agreement.

EXPEDITED HEARINGS

20.41 Expedited Hearings

(1) Expedited hearings are held upon application by Corporation Staff and without notice to the Respondent in the circumstances prescribed in Rule 20.42 and Rule 20.43.

20.42 Types of Expedited Hearings- Members

(1) A Hearing Panel may impose any of the penalties prescribed by Rule 20.45 upon a Dealer Member in any of the following circumstances:

Bankruptcy

(a) a Dealer Member makes a general assignment for the benefit of its creditors, makes an authorized assignment or a proposal to its creditors; is declared bankrupt, or a winding-up order is made in respect of a Dealer Member or a receiver or other officer with similar powers is appointed in respect of all or any part of the undertaking and property of the Dealer Member.

Suspension or Cancellation of Registration or Membership

(b) the registration of a Dealer Member as a dealer in securities or commodities under any statute respecting trading or advising in respect of securities or commodities or as an underwriter in any statute in respect of securities or commodities has lapsed or is suspended or cancelled;

(c) a recognized stock exchange, securities commission, securities regulatory authority, self-regulatory organization or any recognized trading or quotation system suspends the Membership or privileges of a Dealer Member;

Financial or Operating Difficulty

(d) where a Dealer Member is in such financial or operating difficulty that the Hearing Panel determines the Dealer Member cannot be permitted to continue to operate without risk of imminent harm to the public, other Dealer Members or the Corporation;

Failure to Cooperate With Corporation Compliance Examinations or Investigations

(e) where a Dealer Member fails to cooperate with Corporation compliance examinations or investigations pursuant to Rule 19 and the Hearing Panel determines that the Dealer Member cannot be permitted to continue to operate without risk of imminent harm to the public, other Dealer Members or the Corporation;

Criminal Charges

(f) where a Dealer Member has been charged with a criminal offence relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading, and such criminal charge likely brings the capital markets into disrepute.

Non-Compliance With Conditions

(g) where a Dealer Member fails to comply with terms or conditions imposed pursuant to Rule 20.33, Rule 20.34 or Rule 20.38 or Rule 20.29.

20.43 Types of Expedited Hearings - Approved Persons

(1) A Hearing Panel may impose any of the penalties set out in Rule 20.45 upon an Approved Person in any of the following circumstances:

Suspension or Cancellation of Registration or Approval

(a) the registration or approval of an Approved Person under any statute respecting trading or advising in respect of securities or commodities has lapsed, is suspended or cancelled;

(b) a recognized stock exchange, securities commission, securities regulatory authority, self-regulatory organization or recognized trading or quotation system suspends an Approved Person;

Failure to Cooperate With Corporation Compliance Examinations and Investigations

(c) failure to cooperate with Corporation compliance examinations and investigations pursuant to Rule 19 and the Hearing Panel determines that the Approved Person cannot be permitted to continue to be an Approved Person without risk of imminent harm to the public, other Dealer Members or the Corporation;

Criminal Charges

(d) where an Approved Person has been charged with a criminal offence relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading, and such criminal charge likely brings the capital markets into disrepute;

Non-Compliance With Conditions

(e) where an Approved Person fails to comply with terms or conditions imposed pursuant to Rule 20.33, Rule 20.34, or Rule 20.38.

20.44 Non-payment of Fines or Costs

(1) In the event that a fine or costs imposed by a Hearing Panel are not paid within the prescribed time, the Corporation may summarily, without further notice, suspend a Dealer Member or Approved Person, until such fine or costs are paid.

20.45 Powers Of Hearing Panel

(1) A Hearing Panel has the power to impose any of the following penalties upon a Respondent who is an Approved Person or Dealer Member in the circumstances prescribed in Rule 20.42 and Rule 20.43:

(a) suspension of approval or Membership;

(b) imposition of terms or conditions on a suspension of approval or Membership;

(c) imposition of terms or conditions on continued approval or Membership;

(d) direction to immediately cease dealing with the public;

(e) an order with terms and conditions to facilitate the orderly transfer of client accounts from a Dealer Member suspended under this Rule;

(f) termination of the rights and privileges of approval or Membership;

(g) expulsion of an Approved Person or Dealer Member from the Corporation; or

(h) imposition of a Monitor pursuant to Rule 20.46.

20.46 Powers Of Hearing Panel To Impose A Monitor

(1) A Hearing Panel may order the imposition of a Monitor, on such terms and conditions as it deems just and appropriate, where it is in the interest of the public, and the Hearing Panel determines that:

(a) the Dealer Member is at financial risk and may become insolvent;

(b) client accounts are at risk of financial loss due to a Dealer Member’s financial condition, inadequate internal controls or deficient operating procedures;

(c) the Dealer Member has failed to maintain regulatory capital requirements as prescribed by the Rules or any federal or provincial statute, regulation, ruling or policy relating to trading or advising in respect of securities or commodities; or

(d) the securities firm has been suspended by the Corporation or other regulatory or self-regulatory organization for failure to meet regulatory capital requirements.

(2) A Monitor appointed pursuant to subsection (1) shall monitor the Dealer Member’s business and financial affairs in accordance with the terms and conditions specified by the Hearing Panel.

(3) A Hearing Panel may assign any of the following terms and conditions to the Monitor, for such period of time as the Hearing Panel determines is just and appropriate in the circumstances:

(a) to enter and re-enter the Dealer Member's premises and to remain on site to conduct day-to-day monitoring of all of the Dealer Member's business activities,

including but not limited to, monitoring and review of accounts receivable, accounts payable, client accounts, margin, client free credits, the Dealer Member's banking, any books or records of the Dealer Member, trading conducted by or on behalf of the Dealer Member for its' own account or the account of its' clients, payment of any debts or the creation of new debt and any reconciliation required to be completed by the Dealer Member;

(b) to make copies of information and to provide copies of such information to Corporation Staff or any other agency the Hearing Panel determines appropriate;

(c) to provide ongoing reporting of the Monitor's findings or observations to Corporation Staff or any other agency the Hearing Panel determines appropriate;

(d) to monitor compliance by the Dealer Member with any terms or conditions which have been imposed on the Dealer Member by the Corporation or any other regulator, including but not limited to, compliance with early warning terms and conditions;

(e) to verify and assist with the preparation of any regulatory filings, including but not limited to, the calculation of risk adjusted capital;

(f) to conduct or have conducted an appraisal of the Dealer Member’s net worth or valuation of any part of the Dealer Member’s assets;

(g) to assist the staff of the Dealer Member to facilitate the orderly transfer of client accounts;

(h) to pre-authorize any issuance of cheques or payments made by or on behalf of the Dealer Member or distribution of any of the Dealer Member’s assets; or

(i) any other such terms or conditions that the Hearing Panel determines is just and appropriate to assign to the Monitor.

(4) The expenses related to a Monitor appointed pursuant to Rule 20.46 shall be borne by the Dealer Member.

20.47 Review Hearing

(1) The Respondent may file a written request for review of any decision made pursuant to Rule 20.45 within thirty calendar days after release of the decision of the Hearing Panel.

(2) If a request for review is made, pursuant to subsection (1), a hearing shall be held as soon as reasonably possible and no later than twenty-one calendar days after filing of the written request for review unless otherwise agreed by the parties.

(3) No member of a Hearing Panel who presided over a hearing held pursuant to Rule 20.45 shall sit on a Hearing Panel constituted for review of that decision.

(4) If a Respondent does not request a review within the time period prescribed in subsection (1), the Hearing Panel decision shall become final.

(5) Unless the Hearing Panel orders otherwise, a request for a review shall not operate as a stay from a decision made pursuant to Rule 20.45, notwithstanding Rule 20.53 (1).

(6) The review decision of a Hearing Panel may be appealed by either party pursuant to Rule 20.50.

20.48 Powers of The Hearing Panel - Review Hearing

(1) The Hearing Panel presiding over the review hearing may:

(a) affirm any decision;

(b) quash any decision;

(c) vary any decision or penalty; and

(d) make any decision that could have been made by a Hearing Panel pursuant to Rule 20.45.

ASSESSMENT OF COSTS

20.49 Assessment of Costs

(1) In addition to imposing any of the penalties set out in Rule 20.33, Rule 20.34 or Rule 20.45, the Hearing Panel may assess and order any Corporation Staff investigation and prosecution costs determined to be appropriate and reasonable in the circumstances.

(2) Costs shall not be assessed where the Hearing Panel has not made a finding against the Respondent based on any of the grounds set out at Rule 20.33(1) or Rule 20.34(1) or where an expedited decision is quashed upon review pursuant to Rule 20.48(1).

PART 11 - APPEALS OF DISCIPLINARY AND EXPEDITED REVIEW DECISIONS

20.50 Right of Appeal

(1) The Corporation and a Respondent may appeal a disciplinary decision made by a hearing Panel to an Appeal Panel.

(2) A Respondent may appeal an expedited review hearing decision made by a Hearing Panel to an Appeal Panel.

(3) An appeal may be made on questions of law or fact or both.

20.51 Composition of Appeal Panel

(1) The Appeal Panel shall be comprised of:

(a) one independent member of the Board of Directors;

(b) one industry member of the Board of Directors; and

(c) one former judge, who is a public member of a Hearing Committee of the District in which the disciplinary hearing or expedited review hearing was heard, or a former judge who is a public member of a Hearing Committee of a District, other than that in which the hearing or expedited review hearing was heard, if the two chairs of the respective Hearing Committees consent.

(2) In Quebec, the Appeal Panel shall be comprised of three members resident in Quebec, one of them being a former judge appointed by the Quebec District Council as a public member.

(3) Any hearing required by the present Rule in Quebec should be held in Quebec and the parties can present in French both verbally and in writing.

20.52 Appeal Process

(1) An application for appeal to the Appeal Panel must be made within thirty calendar days after release of the decision of the Hearing Panel.

(2) An application for appeal shall state the basis for such appeal pursuant to the Corporation Practice and Procedure.

20.53 Effect of Appeal Application

(1) An appeal to the Appeal Panel from a decision of a Hearing Panel shall operate as a stay from the decision, unless ordered otherwise by the Appeal Panel.

(2) Notwithstanding subsection (1), an appeal to the Appeal Panel from an expedited review hearing decision shall not operate as a stay from the decision, unless ordered otherwise by the Appeal Panel.

(3) If the decision or order of the Hearing Panel suspends, expels or revokes registration of an Approved Person, the Approved Person shall be subject to strict supervision until release of the appeal decision.

20.54 Powers of Appeal Panel

(1) A hearing held under this Part shall be an appeal on the record, however, the Appeal Panel may receive new or additional evidence as it considers just.

(2) The Appeal Panel may:

(a) affirm any decision;

(b) quash any decision;

(c) vary any decision or penalty;

(d) make any decision that could have been made by a Hearing Panel pursuant to Rule 20.33, Rule 20.34, Rule 20.45 and Rule 20.49

(e) extend or limit the decision's application and effect to any Districts of the Corporation;

(f) order a new hearing; or

(g) make any order or decision that is considered just.

PART 12 - PUBLIC HEARINGS

20.55 Public Hearings

(1) The following types of hearings shall be open to the public subject to subsection (2):

(a) settlement hearings, after a Settlement Agreement has been accepted by Hearing Panel, pursuant to Rule 20.36;

(b) disciplinary hearings pursuant to Rule 20.33 and Rule 20.34;

(c) expedited review hearings pursuant to Rule 20.47; and

(d) enforcement appeal hearings pursuant to Rule 20.50.

(2) The hearings prescribed in subsection (1) shall be held in the absence of the public where the Hearing Panel or Appeal Panel is of the opinion that the desirability of avoiding disclosure, of intimate financial, personal or other matters, in the interests of any person affected or in the public interest outweighs the desirability of adhering to the principle that hearings be public.

(3) Notwithstanding subparagraph (1) and (2), in Quebec, any disciplinary or disciplinary appeal panel must be public. However, such disciplinary or disciplinary appeal panel may on its own initiative or on request, order a closed-door hearing or prohibit the publication or release of information or documents in the interest of good morals or public order.

PART 13 - RULE MAKING POWERS

20.56 Repealed.

PART 14 - TRANSITIONAL PROVISIONS

20.57 Transitional Provisions

(1) Subject to subsection (2), any provision of any Rule or Ruling of the Corporation in effect immediately prior to the coming into effect of these Rules shall remain in full force and effect until such Rule or Ruling, has been repealed.

(2) In the event of a conflict between this Rule and the provisions of any Rule or Ruling of the Corporation that remains in effect after this Rule comes into effect, the provisions of this Rule shall prevail.

RULE 21

NO ACTIONS AGAINST THE CORPORATION

21.1. Repealed.

RULE 22

USE OF NAME OR LOGO: LIABILITIES: CLAIMS

22.1. No Dealer Member shall use the name or logo of the Corporation on letterheads or in any circulars or other advertising or publicity matter, except in accordance with Rule 700.1. The Board of Directors may determine terms or conditions regarding a Dealer Member's use of the name or logo of the Corporation. The Board of Directors may at its sole discretion require a Dealer Member to cease using the name or logo of the Corporation. Any use by a Dealer Member of the name or logo of the Corporation name shall not have the effect of granting to the Dealer Member any proprietary interest in the Corporation's name or logo.

22.2. No liability shall be incurred in the name of the Corporation by any Dealer Member, officer or committee without the authority of the Board of Directors.

22.3. Whenever the Membership of a Dealer Member ceases for any reason whatsoever, neither the former Dealer Member nor its heirs, executors, administrators, successors, assigns or other legal representatives, shall have any interest in or claim on or against the funds and property of the Corporation.

RULE 23

NOTICES

23.1. Except as required by Rules 23.2 to 23.5 any notice which is required or permitted by or pursuant to the Rules shall be given in writing by hand delivery, mail, telegram, telex or any other similar form of electric or electronic written communication, in each case with all charges prepaid, addressed to the person, firm or corporation to whom or which such notice is directed at his or her, their or its last known address. Any notice shall be deemed to be given on the day it is received except in the case of prepaid mail in which case notice shall be deemed to be given on the fifth day after mailing.

23.2. A notice of hearing and particulars provided for in Rule 20.11 shall be served by personal service or by registered mail to the attention of and addressed to the latest residence or business address shown in the records of the Corporation for the person, firm or corporation to whom such notice of hearing and particulars is directed.

23.3. A reply served on the Corporation must be served by personal service on or by registered mail to the attention of the Corporation or any person designated in the notice of hearing and particulars.

23.4. If service of a notice of hearing and particulars cannot be effected on a person pursuant to the requirements of Rule 23.2, the Corporation may prescribe any other manner of service that is likely to bring the document to the attention of the person.

23.5. An affidavit of an employee or agent of the Corporation attesting that Rule 23.2 has been complied with is sufficient proof of service.

RULE 24

RULES AND FORMS

24.1. Repealed.

24.1A. Repealed.

24.2. Repealed.

24.3. Repealed.

RULE 25

INDEMNIFICATION

25.1. Repealed.

25.2. Repealed.

25.3. Repealed.

RULE 26

SECTIONS OF THE CORPORATION

26.1. Repealed.

26.2. Repealed.

26.3 Repealed.

RULE 27

DEALER MEMBERS' RIGHTS RESPECTING CLIENTS' INDEBTEDNESS

27.1 Whenever a client is indebted to a Dealer Member all securities held by such Dealer Member for or on account of such client shall (subject to the provisions of Form 1, Schedule 4, Note 8 and to the provisions of any agreement between the Dealer Member and the client) be, to an amount reasonably sufficient to secure said indebtedness, collateral security for the payment of such indebtedness as may exist from time to time and such Dealer Member shall have the right from time to time, in its discretion, to raise money on such securities and to carry such securities in its general loans, and to pledge and repledge such securities in such manner and to such reasonable amount and for such purpose as it may deem advisable; and if such Dealer Member shall deem it necessary for its protection it shall have the right, in its discretion, to buy any or all securities of which such client's account may be short or sell any or all securities held for or on account of such client and, without in any way restricting the foregoing, shall have the right to recover from such client the amount of the indebtedness or any part thereof remaining unpaid, either with or without realization of the whole or any part of the securities.

RULE 28

DISCRETIONARY FUND

28.1. Repealed.

28.2. Repealed.

28.3. Repealed.

28.4. Repealed.

28.5. Repealed.

28.6. Repealed.

28.7. Repealed.

28.8. Repealed.

28.9. Repealed.

RULE 29

BUSINESS CONDUCT

29.1. Dealer Members and each partner, director, officer, sales manager, branch manager, assistant or co-branch manager, registered representative, investment representative and employee of a Dealer Member (i) shall observe high standards of ethics and conduct in the transaction of their business, (ii) shall not engage in any business conduct or practice which is unbecoming or detrimental to the public interest, and (iii) shall be of such character and business repute and have such experience and training as is consistent with the standards described in clauses (i) and (ii) or as may be prescribed by the Board of Directors.

For the purposes of disciplinary proceedings pursuant to the Rules, each Dealer Member shall be responsible for all acts and omissions of each partner, director, officer, sales manager, branch manager, assistant or co-branch manager, registered representative, investment representative and employee of a Dealer Member; and each of the foregoing individuals shall comply with all Rules required to be complied with by the Dealer Member.

29.2. During the period of distribution to the public (as that term is defined in the relevant securities legislation) of any securities a Dealer Member shall not offer for sale or accept any offer to buy all or any part of the securities acquired by such Dealer Member through its participation in such distribution as an underwriter or as a member of a banking or selling group at a price or prices in excess of the stated initial public offering price of such securities.

29.3. During such period of distribution to the public a Dealer Member shall make a bona fide offering of the total amount of such participation to public investors. The term "public investors" does not include any officer or employee of a bank, insurance company, trust company, investment fund, pension fund or similar institutional body or the immediate families of any such officer or employee of any such institution regularly engaged in the purchase or sale of securities for such institution, unless such sales are demonstratively for bona fide personal investment in accordance with the person's normal investment practice. For the purposes of this Rule 29.3 the term "normal investment practice" shall mean the history of investment in an account with the Dealer Member and if such history discloses a practice of purchasing mainly "hot issues" such record would not constitute a "normal investment practice".

29.3A. A Dealer Member shall give priority to orders for the accounts of customers of the Dealer Member over all other orders for the same security at the same price. The phrase "orders for the accounts of customers of the Dealer Member" shall not include an order for an account in which the Dealer Member or an employee of the Dealer Member has an interest, direct or indirect, other than an interest in a commission charged.

29.4. The period of distribution to the public in respect of any securities shall continue until the Dealer Member shall have notified the applicable securities commission that it has ceased to engage in the distribution to the public of such securities.

29.5. Every director of a corporation any of whose securities are held by the public has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it. Except to the extent referred to in the third paragraph of this Rule 29.5, a director is not released from the necessity of keeping information of this character to himself or herself until there has been full public disclosure of such information, particularly when the information might affect the market price of the corporation's securities. Any director of such corporation who is also a director, partner, officer, or employee of a Dealer Member should recognize that his or her first responsibility in this area is to the public corporation on whose board he or she serves and that he or she must, except to the extent referred to in the third paragraph of this Rule 29.5, meticulously avoid any

disclosure of inside information to the partners, directors, officers, employees, customers, or research or trading departments of the Dealer Member.

Where a representative of a Dealer Member is not a director of a corporation but is acting in an underwriting or advisory capacity to such corporation and is discussing confidential matters, his or her responsibilities regarding disclosure are the same as those that would apply if such representative were a director of such corporation.

With reference to the two preceding paragraphs of this Rule 29.5, a director or a representative, as the case may be, of a Dealer Member may consult with other personnel of the Dealer Member if a matter requires such consultation but in this event adequate measures should be taken to guard the confidential nature of the information to prevent its misuse within or outside the organization of the Dealer Member and the responsibilities of any such other personnel regarding disclosure are the same as those that would apply if such personnel were directors of the relevant corporation.

29.6. No Dealer Member or any partner, director, officer, employee or shareholder of a Dealer Member shall give, offer or agree to give or offer, directly or indirectly, to any partner, director, officer, employee, shareholder or agent of a customer, or any associate of such persons, a gratuity, advantage, benefit or any other consideration in relation to any business of the customer with the Dealer Member, unless the prior written consent of the customer has first been obtained.

29.7.

Definitions

For the purposes of this Rule 29.7;

“advertisement(s) or advertising” shall include television or radio commercials or commentaries, newspaper and magazine advertisements or commentaries, and any published material including materials disseminated or made available electronically promoting the business of a Dealer Member.

“sales literature” shall include any written or electronic communication other than advertisements and correspondence, distributed to or made generally available to a client or potential client which includes a recommendation with respect to a security or trading strategy. Sales literature includes but is not limited to records, videotapes and similar material, market letters, research reports, circulars, promotional seminar text, telemarketing scripts and reprints or excerpts of any other sales literature or published material, but does not include preliminary prospectuses and prospectuses.

"correspondence" means any written or electronic business related communication prepared for delivery to a single current or prospective client, and not for dissemination to multiple clients or to the general public.

"trading strategy" means a broad general approach to investments including matters such as the use of specific products, leverage, frequency of trading or a method of selecting particular investments but does not include specific trade or sectoral weighting recommendations.

29.7 (1) No Dealer Member shall issue to the public, participate in or knowingly allow its name to be used in respect of any advertisement, sales literature or correspondence, and no registered or approved persons shall issue or send any advertisement, sales literature or correspondence in connection with its or his or her business which:

(a) contains any untrue statement or omission of a material fact or is otherwise false or misleading;

(b) contains an unjustified promise of specific results;

(c) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions;

(d) contains any opinion or forecast of future events which is not clearly labeled as such;

(e) fails to fairly present the potential risks to the client;

(f) is detrimental to the interests of the public, the Corporation or its Dealer Members; or

(g) does not comply with any applicable legislation or the guidelines, policies or directives of any regulatory authority having jurisdiction.

29.7 (2) Each Dealer Member shall develop written policies and procedures that are appropriate for its size, structure, business and clients for the review and supervision of advertisements, sales literature and correspondence relating to its business. All such policies and procedures shall be approved by the Corporation.

29.7 (3) The policies and procedures referred to in subsection (2) may provide that such review and supervision will be done by pre-use approval, post use review or post use sampling, as appropriate to the type of material. However, the following types of advertisements, sales literature or correspondence must be approved prior to publication or use by a partner, director, officer or branch manager of the Dealer Member who is designated to approve such materials:

(a) Research reports,

(b) Market letters,

(c) Telemarketing scripts,

(d) Promotional seminar texts (not including educational seminar texts),

(e) Original advertisements/original template advertisements; and

(f) Any material used to solicit clients that contain performance reports or summaries.

29.7 (4) Where such policies and procedures do not require the approval of advertisements, sales literature or correspondence prior to being issued, the Dealer Member must include provisions for the education and training of registered and approved persons as to the Dealer Member's policies and procedures governing such materials as well as follow-ups to ensure that such procedures are implemented and adhered to.

29.7(5) Copies of all advertisements, sales literature and correspondence and all records of supervision under the policies and procedures required by subsection (2) shall be retained so as to be readily available for inspection by the Corporation. All advertisements, sales literature and related documents must be retained for a period of 2 years from the date of creation and all correspondence and related documents must be retained for a period of 5 years from the date of creation.

29.7A.

(1) Ownership of Trade Name

Subject to subsection (7) all business carried on by a Dealer Member or by any person on its behalf shall be in the name of the Dealer Member or a business or trade or style name owned by the Dealer Member, an approved person in respect of the Dealer Member or an affiliated corporation of either of them.

(2) Approval of Trade Name

No approved person shall conduct any business in accordance with subsection (1) in a business or trade or style name that is not owned by the Dealer Member or its affiliated corporation unless the Dealer Member has given its prior written consent.

(3) Notification of Trade Name

Prior to the use of any business or trade or style name other than the Dealer Member's legal name, the Dealer Member shall notify the Corporation.

(4) Transfer of Trade Name

Prior to the transfer of a business or trade or style name to another Dealer Member, the Dealer Member shall notify the Corporation.

(5) Single Use of Trade Name

Except where Dealer Members are related or affiliated, no Dealer Member or approved person shall use any business or trade or style name that is used by any other Dealer Member unless the relationship with such other Dealer Member is that of an introducing broker/carrying broker arrangement, pursuant to Rule 35.

(6) Legal Name

The Dealer Member's full legal name shall be included in all contracts, account statements and confirmations.

(7) Trade Name of Approved Person to Accompany Legal Name

A business or trade or style name used by an approved person may accompany, but not replace, the full legal name of the Dealer Member on materials that are used to communicate with the public. The Dealer Member's legal name must be at least equal in size to the business or trade or style name used by the approved person.

For greater certainty, "materials" that are used to communicate with the public include, but are not limited to, the following:

(a) Letterhead;

(b) Business Cards;

(c) Invoices;

(d) Trade Confirmations;

(e) Monthly Statements;

(f) Websites;

(g) Research Reports; and

(h) Advertisements.

(8) Misleading Trade Name

No Dealer Member or approved person shall use any business or trade or style name that is deceptive, misleading or likely to deceive or mislead the public.

(9) Prohibition on Use of Trade Name

The Corporation may prohibit a Dealer Member or approved person from using any business or trade or style name in a manner that is contrary to the provisions of this Rule or is objectionable or contrary to the public interest.

29.8. No Dealer Member shall impose on any customer or deduct from the account of any customer any service fee or service charge relating to services provided by the Dealer Member for the administration of the customer's account unless written notice shall have been given to the customer on the opening of the account or not less than 60 days prior to the imposition or revision of the fee

or charge. For the purposes of this Rule, service fees or charges shall not include interest charged by the Dealer Member in respect of the account and commissions charged for executing trades.

29.9. A Dealer Member which purchases debt securities taken in trade shall purchase the securities at a fair market price at the time of purchase.

A Dealer Member, in the course of a distribution of a fixed price offering of debt securities, shall ensure that any purchase of other debt securities taken in trade in relation to that offering is done at fair market price.

29.10. For the purpose of Rule 29.9, unless the subject matter or context otherwise requires, the expression:

"Taken in Trade" means the purchase by a Dealer Member as principal, or as agent, of a debt security from a customer pursuant to an agreement or understanding that the customer purchase other debt securities from or through the Dealer Member;

"Fair market Price" means a price not higher than the price at which the securities would be purchased from the customer or from a similarly situated customer in the ordinary course of business by a dealer in such securities in transactions of similar size and having similar characteristics but not involving a security taken in trade."

29.11. No Dealer Member shall pay or make any payment on account or in respect of any debt owing by such Dealer Member to any creditor of such Dealer Member contrary to the provisions of, or otherwise fail to comply with, any subordination or other agreement to which such Dealer Member and the Corporation are parties.

29.12. Mutual Fund Sales Incentives

(a) No Dealer Member or related company in respect of a Dealer Member, or partner, director, officer, registered representative or employee of such Dealer Member or related company, shall accept from any person, directly or indirectly, any non-cash sales incentive in connection with the sale or distribution of mutual fund products.

(b) No Dealer Member or related company in respect of a Dealer Member shall pay to any partner, director, officer, registered representative or employee of such Dealer Member or related company any non-cash sales incentive in connection with the sale or distribution of mutual fund products.

(c) Nothing in this Rule shall prohibit a Dealer Member or related company in respect of a Dealer Member or any partner, director, officer, registered representative or employee of such Dealer Member or related company from accepting or paying, as the case may be:

(i) Non-cash sales incentives earned or awarded for the internal incentive programme of such Dealer Member for which eligibility is determined with respect to all services and products offered by the Dealer Member;

(ii) Commissions or fees payable in cash and calculated with reference only to particular sales or volumes of sales of mutual fund securities;

(iii) Service fees or trailing commissions;

(iv) Marketing materials; or

(v) Reasonable business promotion activities that are undertaken in the normal course and take place in the locale where the recipient is employed or resides.

(d) For the purposes of this Rule 29.12, the term "non-cash sales incentive" shall include, without limitation, domestic or foreign trips, goods, services, gratuities, advantages, benefits or any other non-cash consideration.

29.13. Premarketing

(a) In this Rule 29.13 the expression:

"Bought Deal" means a transaction pursuant to an agreement under which an underwriter, as principal, agrees to purchase securities from an issuer or selling security-holder with a view to a distribution of such securities pursuant to the POP System (as defined in National Policy Statement No. 47) or comparable system in any Canadian province and such agreement is entered into prior to or contemporaneously with the filing of the preliminary short form prospectus;

"Commencement of Distribution" means the time when a Dealer Member has had distribution discussions which are of sufficient specificity that it is reasonable to expect that the Dealer Member (alone or with other underwriters) will propose an underwriting of equity securities to the issuer or selling security-holder;

"Distribution" means a potential offering of equity securities which may proceed as a bought deal;

"Distribution Discussions" means discussions by a Dealer Member with an issuer or a selling security-holder, or with another underwriter that has had discussions with an issuer or selling security-holder, concerning a distribution;

"Equity Security" means any security of an issuer that carries a residual right to participate in earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets and includes a security convertible into an equity security. A security shall be deemed to be convertible into an equity security if the rights attaching to the security include the right or option to purchase, convert or exchange or otherwise acquire any equity security of the issuer or any other security that itself includes the right or option to purchase, convert or exchange or otherwise acquire any equity security of the issuer.

(b) From the commencement of distribution until the earliest of

(i) The time at which the receipt for the preliminary prospectus in respect of the distribution is issued;

(ii) The time at which a press release that announces the entering into of an enforceable agreement in respect of the distribution is issued and filed in accordance with any blanket ruling or order, or notice made pursuant to an existing blanket ruling or order, of a securities regulatory authority of a province or territory of Canada and provided that all of the conditions set forth in such blanket ruling or order or such notice and its related blanket ruling or order are met; and

(iii) The time at which the Dealer Member determines not to pursue the distribution

no member shall have communications with a person or company wherever resident which are designed to have the effect of determining the interest of that person or company (or any person or company that it represents) in purchasing securities of the type that are the subject of distribution discussions if such communications are undertaken by any director, officer, employee or agent of the Dealer Member:

(A) Who participated in or had actual knowledge of the distribution discussions, or

(B) Whose communications were directed, suggested or induced by a person who participated in or had actual knowledge of the distribution discussions or another person acting directly or indirectly at or upon the direction, suggestion or inducement of a person referred to in (B).

A press release is deemed to have been issued when it is disseminated in accordance with the policies of applicable stock exchanges or, in the case of unlisted securities, when it is released to Canada News-Wire or any other national news distribution service for distribution and is deemed to have been filed when delivered or sent by facsimile to the relevant securities regulatory authority of a province or territory of Canada.

(c) No Dealer Member shall, in connection with a potential offering of equity securities, have communications of the nature described in Rule 29.13(b) even if such communications would otherwise be exempt from prospectus requirements of securities law, unless the Dealer Member and the issuer or selling security-holder can demonstrate a bona fide intention to distribute the securities pursuant to a prospectus exemption. The restrictions referred to in Rule 29.13(b) shall apply from the time it is reasonable to expect that a decision to abandon an exempt offering of equity securities in favour of a prospectus offering will be taken.

(d) No Dealer Member shall engage in market making or other principal trading activities in securities that are the subject of distribution discussions if such activities are engaged in by a person referred to in Rule 29.13(b)(A) or at or upon the direction, suggestion or inducement of a person referred to in Rule 29.13(b)(A) or (B).

(e) A Dealer Member involved in a distribution as an underwriter shall file a certificate with respect to compliance with this Rule 29.13 in respect of such distribution with the Corporation not later than three business days after the date the preliminary short form prospectus (or equivalent document) with respect to such distribution is filed with the principal jurisdiction (as defined in National Policy Statement No. 47). Such certificate shall be signed by the chief executive officer of the Dealer Member or the next most senior officer or by such other person as is fulfilling the duties of the chief executive officer in his or her absence and shall be in such form and contain such information as may from time to time be prescribed by the Corporation and approved by the Director of Corporate Finance of the Ontario Securities Commission or his or her equivalent of any member of the Canadian Securities Administrators who notifies the Corporation that approval of the form of such certificate is required.

CERTIFICATE

To: Investment Industry Regulatory Organization of Canada ("Corporation")

I (**name**), in my capacity as (**title**) of (**dealer name**) hereby certify on behalf of (**dealer name**), that (i) policies and procedures are in place designed to ensure compliance with Rule 29.13, and (ii) to the best of my knowledge, information and belief, after making, or having caused to be made, enquiries that I believe to be appropriate, in connection with the distribution of securities of (**issuer name**), the preliminary prospectus (or an equivalent document) for which was dated (**date**), from the commencement of distribution there have not been any communications by (**dealer name**) undertaken by any director, officer, employee or agent of (**dealer name**) with any person or company wherever resident about the interest that such person or company or any person or company that it represented had in purchasing securities of the type that were the subject of distribution discussions which would contravene Rule 29.13.

The terms "commencement of distribution" and "distribution discussions" used in this certificate have the meanings given to those terms in Rule 29.13.

Dated at (**city**) this day of 20 .

_____

Signature

_____

Name

_____

Title

29.14.

(a) Definitions. For the purposes of these Rules 29.14 to 29.25, the term:

"Advertising" means any promotional material used in or on any newspaper, magazine, radio, video, television, telephone or cassette recording, motion picture, slide presentation or sign or billboard;

"Applicable Securities Laws" means:

(i) Ontario Securities Commission Rule 61-501 relating to Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transations; and

(ii) section 190 of the *Business Corporations Act* (Ontario);

"Corporation Standards" means the disclosure standards specified in Rules 29.14 through 29.24;

"CIPF" means Canadian Investor Protection Fund and "FCPE" means Fonds canadien de protection des épargnants;

"CIPF official explanatory statement" means the following statement:

> "Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request."

Or such other statement as may be prescribed as such by CIPF from time to time for use by Members;

"CIPF official brochure" means any brochure or publication prescribed as such by CIPF for use by Members;

"CIPF official symbol" means the symbol, mark or other designation prescribed as such by CIPF for use by Dealer Members with the word "Dealer Member" appearing on top of the official symbol;

"Fairness Opinion" means a report of a Valuer that contains the Valuer's opinion as to the fairness, from a financial point of view, of a transaction;

"Formal Valuation" means a report of a Valuer that contains the Valuer's opinion as to the value or range of values of the subject matter of the valuation;

"Professional Opinion" means a Formal Valuation or a Fairness Opinion;

"Subject Trasaction" means an insider bid, issuer bid, going private transaction or related party transaction as each such term is defined in Applicable Securities Laws; and

"Valuer" means the person who provides a Professional Opinion.

The terms "disclosure document", "interested party" and "prior valuation" as used in these Rules 29.14 to 29.25 have the same respective meanings as in Applicable Securities Laws.

(b) Display at Premises. Each Dealer Member shall conspicuously display in a prominent place at each of its locations to which customers have access the CIPF official symbol. No Dealer Member shall be required to display the CIPF official symbol until 30 days after the first day of operation as a Dealer Member.

(c) Account Statements and Confirmations. Each Dealer Member shall include on the front of each confirmation and account statement sent to a customer the CIPF official symbol, and shall also include in legible print on either the front or the back (at the Dealer Member's option) of each confirmation and account statement sent to a customer the CIPF official explanatory statement in either English or French. No Dealer Member need comply with this paragraph (c) until its existing supplies of confirmation forms and account statements have been exhausted or until a date which is one year after the date this Rule comes into force, whichever is the earlier.

(d) CIPF Official Brochure. Each Dealer Member shall make available to its customers on request the current version of the CIPF official brochure in either English or French as requested.

(e) Advertising. Each Dealer Member shall include in any written, visual or audio advertising the words "Member CIPF" together with, at the option of the Dealer Member, a reproduction of the CIPF official symbol. Except as provided in this paragraph (e), no Dealer Member shall display any symbol relating to CIPF other than the CIPF official symbol or include any symbol, statement or explanation relating to CIPF or the Members' membership in CIPF in any advertising, promotional or other materials other than the CIPF official symbol or CIPF official explanatory statements.

(f) Members of CIPF. For the purposes only of complying with this Rule 29.14 and to the extent permitted by CIPF from time to time, Dealer Members shall identify themselves as members of CIPF.

(g) English/French Language. Subject to applicable laws, a Dealer Member may comply with the requirements of this Rule in either the English or French language.

(h) Termination of Membership. Upon the termination or suspension of its Membership, each Dealer Member shall immediately cease using the CIPF official explanatory statement, CIPF official brochure or CIPF official symbol, and shall cease identifying itself as a member of CIPF.

(i) Exemptions. A Dealer Member may be exempted from all or part of the requirements of paragraph (e) of this Rule 29.14 to the extent prescribed by CIPF from time to time.

29.15 No Dealer Member shall prepare a Professional Opinion in connection with a Subject Transaction unless it complies with Corporation Standards.

29.16 Corporation Standards apply only to Professional Opinions that are prepared either pursuant to a requirement of Applicable Securities Laws or for the express purpose of publication, in whole or in part (including summaries thereof), in a disclosure document to be filed with any Canadian securities regulatory authority or delivered to security holders in connection with their consideration of the Subject Transaction. For greater certainty, Corporation Standards do not apply to Professional Opinions (i) rendered in connection with transactions other than the Subject Transactions, whether or not they are reproduced or summarized in a disclosure document, or (ii) reproduced or summarized in a disclosure document in response to a legal or regulatory requirement for the disclosure of prior valuations in respect of an issuer.

29.17 The requirements relating to the preparation and disclosure of Professional Opinions prescribed herein shall not be a substitute for the professional judgment and responsibility of the Valuer. Compliance with the Corporation Standards, without the Valuer also exercising professional judgment and responsibility regarding disclosure in a Professional Opinion, shall not be considered compliance with Corporation Standards. Professional judgment and responsibility may, in

appropriate cases, justify a departure from the strict application of the requirements under the Corporation Standards.

29.18 Professional Opinions prepared in connection with the Subject Transactions shall contain disclosure sufficient to enable the directors and security holders of the particular issuer to understand the principal judgments and principal underlying reasoning of the Valuer in its Professional Opinion so as to form a reasoned view on the valuation conclusion or the opinion as to fairness expressed therein.

29.19 A Valuer shall consider the level of disclosure described in Rules 29.20 through 29.24 when considering the appropriate level of disclosure in a Professional Opinion concerning valuation methodologies or matters not specifically addressed in such Rules but that are important in reaching a valuation or fairness conclusion.

29.20 A Professional Opinion that is a Formal Valuation prepared by a Dealer Member shall disclose the following information:

1. The identity and credentials of the Dealer Member, including the general experience of the Dealer Member in valuing other businesses in the same or similar industries as the business or issuer in question or similar transactions to the Subject Transaction, the Dealer Member's understanding of the specific marketable securities involved in the Subject Transaction and the internal procedures followed by the Dealer Member to ensure the quality of the Professional Opinion;

2. The date the Valuer was first contacted in respect of the Subject Transaction and the date that the Valuer was retained;

3. The financial terms of the Valuer's retainer;

4. A description of any past, present or anticipated relationship between the Valuer and any interested party or the issuer which may be relevant to the Valuer's independence for purposes of the Applicable Securities Laws;

5. The subject matter of the Formal Valuation;

6. The effective date of the Formal Valuation;

7. A description of any specific adjustments that have been made in the Valuer's conclusions by reason of an event or occurrence after the effective date;

8. The scope and purpose of the Formal Valuation, including the following statement:

   "This Formal Valuation has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada but the Corporation has not been involved in the preparation or review of this valuation.";

9. A description of the scope of the review conducted by the Valuer, including a summary of the type of information reviewed and relied upon (such as the documents reviewed, individuals interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the Valuer);

10. A description of any limitation on the scope of review and the implications of such limitation on the Valuer's conclusions;

11. A description of the business, assets or securities being valued sufficient to allow the reader to understand the valuation rationale and approach and the various factors influencing value that were considered;

12. Definitions of the terms of value used in the Formal Valuation (such as "fair market value", "market value" and "cash equivalent value");

13. The valuation approach and methodologies considered, including the rationale for valuing the business as a going concern or on a liquidation basis and the reasons for selecting a particular valuation methodology and a summary of the key factors considered in selecting the valuation approach and methodologies considered;

14. The key assumptions made by the Valuer;

15. Any distinctive material value that the Valuer has determined might accrue to an interested party, whether this value is included in the value or range of values arrived at for the subject matter of the Formal Valuation and the reasons for its inclusion or exclusion;

16. A discussion of any prior *bona fide* offers or prior valuations or other material expert reports considered by the Valuer pertaining to the subject matter of the transaction and, where the Formal Valuation differs materially from any such prior valuation, an explanation of the material differences where reasonably practicable to do so based on the information contained in the prior valuation or, if it is not reasonably practicable to do so, the reasons why it is not reasonably practicable to do so; and

17. The valuation conclusions reached and any qualifications or limitations to which such conclusions are subject.

29.21 A Professional Opinion that is a Fairness Opinion prepared by a Dealer Member shall disclose the following information:

1. The identity and credentials of the Dealer Member, including the general experience of the Dealer Member in providing Fairness Opinions in connection with transactions similar to the Subject Transaction, the Dealer Member's understanding of the specific marketable securities involved in the Subject Transaction and the internal procedures followed by the Dealer Member to ensure the quality of the Professional Opinion;

2. The date the Dealer Member was first contacted in respect of the Subject Transaction and the date that the firm was retained;

3. The financial terms of the Dealer Member's retainer;

4. A description of any past, present or anticipated relationship between the Dealer Member and any interested party which may be relevant to the Dealer Member's independence for purposes of providing the Fairness Opinion;

5. The scope and purpose of the Fairness Opinion, including the following statement:

   "This fairness opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada but the Corporation has not been involved in the preparation or review of this fairness opinion.";

6. The effective date of the Fairness Opinion;

7. A description of the scope of the review conducted by the Dealer Member, including a summary of the type of information reviewed and relied upon (such as the documents reviewed, individuals interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the Dealer Member);

8. A description of any limitation on the scope of review and the implications of such limitation on the Dealer Member's opinion or conclusion;

9. A description of the relevant business, assets or securities sufficient to allow the reader to understand the rationale of the Fairness Opinion and the approach and various factors influencing financial fairness that were considered;

10. A description of the valuation or appraisal work performed or relied upon in support of the Dealer Member's opinion or conclusion;

11. A discussion of any prior *bona fide* offer or prior valuation or other material expert report considered by the Dealer Member in coming to the opinion or conclusion contained in the Fairness Opinion;

12. The key assumptions made by the Dealer Member;

13. The factors the Dealer Member considered important in performing its fairness analysis;

14. The statement of opinion or conclusion as to the fairness, from a financial point of view, of the Subject Transaction and the supporting reasons; and

15. Any qualifications or limitations to which the opinion or conclusion is subject.

29.22 If concern is expressed to a Dealer Member regarding the proposed disclosure in a Professional Opinion of competitively or commercially sensitive information regarding an interested party or issuer, the Dealer Member may seek a decision of the special committee of the issuer's independent directors (the "special committee") as to whether the perceived detriment to an interested party, the issuer or its security holders of the disclosure of such information in the Professional Opinion outweighs the benefit of disclosure of such information to the readers of the Professional Opinion. Compliance with any such decision of a special committee shall also constitute compliance with the Corporation Standards in respect of the matters that are the subject of the decision.

29.23 A Professional Opinion that is a Formal Valuation prepared by a Dealer Member in connection with a Subject Transaction shall disclose the following:

1. Annual Financial Information. Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a disclosure document published in connection with the transaction to which the Professional Opinion applies, the Professional Opinion shall disclose a summary of selected material financial information derived from the most recent year-end balance sheet and income statement and statement of changes in financial position for the most recently completed fiscal year as well as from the balance sheet, income statement and statement of changes in financial position for the immediately preceding fiscal year.

2. Interim Financial Information. Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a disclosure document published in connection with the transaction to which the Professional Opinion applies, the Professional Opinion shall disclose a summary of selected material financial information derived from the most recent interim balance sheet (if any), income statement and statement of changes in financial position for the current fiscal year and the comparable statements for the same interim period of the immediately preceding fiscal year.

3. Discussion of Historical Financial Statements or Financial Position. The Professional Opinion shall include comment on material items or changes in the issuer's financial statements together with appropriate commentary on items which may have particular relevance to the Professional Opinion. Examples of such items include unusual capital structures, unrecognized tax-loss carryforwards and redundant assets.

4. Future-Oriented Financial Information. To the extent that the Valuer has relied upon future-oriented financial information ("FOFI"), the Valuer shall disclose the FOFI, at least in summary form, unless otherwise determined by a decision of the special committee referred to in Rule 29.22. To the extent that the FOFI relied upon by the Valuer varies materially from the FOFI provided to the Valuer by the issuer or the interested party, the Valuer shall disclose the nature and extent of such differences and the rationale of the Valuer supporting its judgments.

5. FOFI Assumptions. To the extent that FOFI is relied upon (whether or not the FOFI itself is disclosed), key financial assumptions (such as sales, growth rates, operating profit margins, major expense items, interest rates, tax rates, depreciation rates, etc.), together with a brief statement supporting the rationale for each specific assumption, shall also be disclosed, unless otherwise determined by a decision of the special committee referred to in Rule 29.22.

6. Economic Assumptions. Any key economic assumptions having a material impact on the Professional Opinion shall be disclosed, noting the authoritative source used by the Valuer, including interest rates, exchange rates and general economic prospects in the relevant markets.

7. Valuation Approach, Methodologies and Analysis. The Professional Opinion shall set out the valuation approach and methodologies adopted by the Valuer, together with the principal judgments made in selecting a particular approach or methodology, a comparison of valuation calculations and conclusions arrived at through the different methods considered and the relative importance of each methodology in arriving at the overall valuation conclusion. Depending upon the valuation techniques used by the Valuer, the specific information referred to in items 8 through 12 below shall be disclosed.

8. Discounted Cash Flow Approach. The Professional Opinion shall include a discussion of all relevant qualitative and quantitative judgments used to calculate discount rates, multiples and capitalization rates. If the Capital Asset Pricing Model is used, disclosure shall include the basis for determining the discount rate including the risk-free rate, market risk premium, beta, tax rates and debt-to-equity capital structure assumed. The Valuer shall also disclose the basis for the determination of the terminal/residual value together with the underlying assumptions made. The source of the financial data which formed the basis of the discounted cash flow analysis, summary of major assumptions (if not already disclosed) and the details and sources of any economic statistics, commodity prices and market forecasts used in the valuation approach shall also be disclosed. In addition, a summary of the sensitivity variables considered and the general results of the application of such sensitivity analysis shall be disclosed along with an explanation of how such sensitivity analysis was used in the determination of the range of valuation estimates resulting from the discounted cash flow approach. Where the nature of the FOFI and the subject matter of the valuation make it reasonably practicable and meaningful to do so, selected quantitative sensitivity analyses performed by the Valuer shall be disclosed to illustrate the effects of variations in the key assumptions on the valuation results. In determining whether quantitative sensitivity analyses would be meaningful to the reader of the Professional Opinion, the Valuer shall consider whether such analyses adequately reflects the Valuer's judgment concerning the inter-relationship of the key underlying assumptions.

9. Asset Based Valuation Approach. The Professional Opinion shall separately disclose the values of each significant asset and liability including off-balance sheet items (unless

otherwise determined by a decision of the special committee referred to in Rule 29.22). If a liquidation-based valuation approach has been utilized, the Professional Opinion shall set out the liquidation values for each significant asset and liability together with summary estimates for significant liquidation costs.

10. Comparable Transaction Approach. The Professional Opinion shall disclose (preferably in tabular form) a list of relevant transactions involving businesses the Valuer considers similar or comparable to the business being valued. Adequate disclosure shall include the date of the transaction, a brief descriptive note, and relevant multiples implicit in the transaction which may include earnings before interest and taxes ("EBIT"), earnings before interest, taxes depreciation and amortization ("EBITDA"), earnings, cash flow and book value multiples and take-over premium percentages. In the body of the Professional Opinion there shall be a discussion of such transactions together with an explanation as to how such transactions were used by the Valuer in arriving at a valuation conclusion with regard to the comparable transaction approach.

11. Comparable Trading Approach. The Professional Opinion shall disclose (preferably in tabular form) a list of relevant publicly traded companies the Valuer considers similar or comparable to the business being valued. Adequate disclosure shall include the date of the market data, the relevant fiscal periods for the comparable company, a brief descriptive note regarding the comparable company and relevant multiples implicit in the trading data which may include EBIT, EBITDA, earnings, cash flow and book value multiples. In the body of the Professional Opinion there shall be a discussion as to the comparability of such companies, together with an explanation as to how such data was used by the Valuer in arriving at a valuation conclusion with regard to the comparable trading approach.

12. Valuation Conclusions. The Valuer shall develop a final valuation range by using a single valuation methodology or some combination of value conclusions determined under different methodologies/approaches. The Professional Opinion shall include a comparison of the valuation ranges developed under each methodology and a discussion of the reasoning in support of the Valuer's final conclusion.

29.24 A Professional Opinion that is a Fairness Opinion prepared by a Dealer Member in connection with a Subject Transaction shall include the following:

1. Fairness Opinion Valuation Analyses. While it is generally acknowledged that both the scope and the objectives of a Fairness Opinion differ from those of a Formal Valuation (whether or not the Fairness Opinion is delivered in a transaction where a Formal Valuation exemption is being relied upon), a Fairness Opinion shall include a general description of any valuation analysis performed by the opinion provider or specific disclosure of a valuation opinion of another Valuer which is being relied upon. However, the opinion provider is not required to reach or disclose specific conclusions as to a valuation range or ranges in a Fairness Opinion.

2. Fairness Conclusions. The specific reasons for the conclusion that the Subject Transaction is fair or not fair to security holders, from a financial point of view, shall be set out in the conclusion section of the Professional Opinion. Support for each of these specific reasons shall be contained in the body of the Professional Opinion in sufficient detail to allow the reader of the opinion to understand the principal judgments and principal underlying reasoning of the opinion provider in reaching its opinion as to the fairness of the transaction.

29.25 Repealed.

29.26

(1)

(a) Each Dealer Member, partner, director, officer or registered or approved person of a Dealer Member shall provide to each client a Leverage Risk Disclosure Statement:

i) at the time a new account is opened,

ii) when a recommendation is made to a client to purchase securities using, in whole or in part, borrowed money, or

iii) when the Dealer Member, partner, director, officer, registered or approved person of the Dealer Member becomes aware of a client's intent to purchase securities using, in whole or in part, borrowed money.

(b) No Dealer Member or partner, director, officer, registered or approved person of a Dealer Member is required to comply with subsection (a)(ii)or (iii) if within the preceding six month period a Leverage Risk Disclosure Statement has been provided to the client.

(c) The Leverage Risk Disclosure Statement shall be in substantially the following words:

Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.

(2) Section 29.26(1) does not apply to the purchase of securities by a client on margin if the client's margin account is operated in accordance with the Rules of the Corporation.

29.27

(a) Each Dealer Members shall establish and maintain a system to supervise the activities of each partner, director, officer, registered representative, employee and agent of the Dealer Member that is reasonably designed to achieve compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business. Such a supervisory system shall provide, at a minimum, the following:

(i) The establishment, maintenance and enforcement of written policies and procedures acceptable to the Corporation regarding the conduct of the types of business in which it engages and the supervision of each partner, director, officer, registered representative, employee and agent of the Dealer Member that are reasonably designed to achieve compliance with the applicable laws, rules, regulations and policies;

(ii) Procedures reasonably designed to ensure that each partner, director, officer, registered representative, employee and agent of the Dealer Member understands his or her responsibilities under the written policies and procedures in (i);

(iii) Procedures to ensure that the written policies and procedures of the Dealer Member are amended as appropriate within a reasonable time after changes in applicable laws, regulations, rules and policies and that such changes are communicated to all relevant personnel;

(iv) Sufficient personnel and other resources to fully and properly enforce the written policies and procedures in (i);

(v) The designation of supervisory personnel with the qualifications and authority to carry out the supervisory responsibilities assigned to them. Each Dealer Member shall maintain an internal record of the names of all persons who are designated as having supervisory responsibility and the dates for which such designation is or was in effect. Such record shall be preserved by the Dealer Member for seven years, and on-site for the first year;

(vi) Procedures for follow-up and review to ensure that supervisory personnel are properly executing their supervisory functions. Where the supervision is conducted and supervisory records are maintained at a branch office, the follow-up and review procedures shall include periodic on-site reviews of branch office supervision and record-keeping as necessary depending on the types of business and supervision conducted at the branch office.

(vii) The maintenance of adequate records of supervisory activity, including on-site reviews of branch offices as described in (vi), compliance issues identified and the resolution of those issues.

(b) Each partner, director, officer, registered representative or agent of a Dealer Member who has supervisory authority over any partner, director, officer, registered representative or agent of a Dealer Member shall fully and properly supervise such partner, director, officer, registered representative or agent in accordance with the written policies and procedures of the Dealer Member so as to ensure their compliance with the Rules of the Corporation and all other laws, regulations and policies applicable to the Dealer Member's securities and commodity futures business.

(c) A partner, director, officer, registered representative or agent of a Dealer Member may delegate specific supervisory functions or procedures, provided that:

(i) the delegation of such functions in not contrary to applicable laws, regulations, rules or policies;

(ii) the person to whom such functions are delegated is qualified by virtue of registration, training or experience to properly execute them;

(iii) the supervisor conducts sufficient follow-up and review to ensure that the person to whom the functions have been delegated is properly executing them.

RULE 30

EARLY WARNING SYSTEM

30.1. A Dealer Member shall be designated in early warning level 1 or level 2 according to its capital, profitability and liquidity position from time to time and frequency of designation or at the discretion of the Corporation as provided in this Rule 30. The terms and definitions used in this Rule shall have the same meanings as used in Statement C and Schedules 13 and 13A to Form 1 of the Corporation, unless otherwise defined in the Rules or the context requires, and reference shall be made to such Statement and Schedules in interpreting this Rule 30.

30.2 LEVEL 1.

A Dealer Member shall be designated in early warning level 1 if at any time:

Liquidity

Its early warning reserve is a negative number; or

Capital

Its risk adjusted capital is less than 5% of total margin required; or

Profitability

1. The quotients obtained by dividing each of

   (a) Risk adjusted capital as at the date of calculation; and

   (b) Risk adjusted capital as at the end of the preceding month.

   By the average of the net profit or loss (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) for the six month periods ending with (i) the current month and (ii) the preceding month, respectively, where such average is a loss, are both greater than or equal to three but less than six, or

   (c) The quotient obtained using the number in paragraph (a) as a divisor is greater than or equal to three but less than six and the quotient using the number in paragraph (b) as a divisor is less than three; or

2. The risk adjusted capital at the time of calculation is less than six times the net loss (as defined above) for the current month; or

Discretionary

The condition of the Dealer Member, in the sole discretion of the Corporation, is not satisfactory for any reason including, without limitation, financial or operating difficulties, problems arising from record keeping conversion or significant changes in clearing methods, the fact that the Dealer Member is a new Dealer Member or the Dealer Member has been late in any filing or reporting required pursuant to the Rules.

30.3. If a Dealer Member is designated in early warning level 1 then, notwithstanding the provisions of any Rule (other than Rule 30.5) or Ruling of the Corporation, the following provisions shall apply:

(i) The chief executive officer and chief financial officer of the Dealer Member shall immediately deliver to the Corporation a letter containing the following:

   (1) Advice of the fact that any of the circumstances in Rule 30.2 are applicable;

   (2) An outline of the problems associated with the circumstances referred to in (1);

(3) An outline of the proposal of the Dealer Member to rectify the problems identified; and

(4) An acknowledgement that the Dealer Member is in early warning category and that the restrictions contained in Rule 30.3(iv) apply;

A copy of which letter shall be provided to the Dealer Member's auditor and to the Canadian Investor Protection Fund;

(ii) The Corporation shall immediately designate the Dealer Member as being in an early warning category level 1 and shall deliver to the chief executive officer and chief financial officer a letter containing the following:

(1) Advice that the Dealer Member is designated as being in early warning category level 1;

(2) A request that the Dealer Member file its next monthly financial report required pursuant to Rule 16.2 no later than 15 business days or, in the discretion of the Corporation if he or she considers it to be practicable, such earlier time following the end of the relevant month;

(3) A request that the Dealer Member respond to the letter as required under paragraph (iii) and that such response, together with the notice received pursuant to paragraph (i), will be forwarded to the Canadian Investor Protection Fund and may be forwarded to any securities commission having jurisdiction over the Dealer Member;

(4) Advice that the restrictions referred to in paragraph (iv) shall apply to the Dealer Member;

(5) Such other information as the Corporation shall consider relevant;

(iii) The chief executive officer and the chief financial officer of the Dealer Member shall respond by letter signed by them both within five business days of receipt of the letter referred to in paragraph (ii), with a copy to be sent to the Dealer Member's auditor, containing the information and acknowledgement required pursuant to paragraphs (1)(2), (3) and (4), to the extent not previously provided, or an update of such information if any material circumstances or facts have changed.

(iv) If and so long as the Dealer Member remains designated as being in an early warning category, it shall not without the prior written consent of the Corporation:

(1) Reduce its capital in any manner including by redemption, re-purchase or cancellation of any of its shares;

(2) Reduce or repay any indebtedness which has been subordinated with the approval of the Corporation;

(3) Directly or indirectly make any payments by way of loan, advance, bonus, dividend, repayment of capital or other distribution of assets to any director, officer, partner, shareholder, related company, affiliate or associate; or

(4) Increase its non-allowable assets (as specified by the Corporation) unless a prior binding commitment to do so exists or enter into any new commitments which would have the effect of materially increasing the non-allowable assets of the Dealer Member;

(v) If and so long as the Dealer Member remains designated as being in an early warning category it shall continue to file its monthly financial reports within the time specified pursuant to clause (2) of Rule 30.3(ii);

(vi) As soon as practicable after the Dealer Member is designated as being in an early warning category, the Corporation shall conduct an on-site review of the Dealer Member's procedures for monitoring capital on a daily basis and prepare a report as to the results of the review.

The Corporation shall also report monthly to the applicable District Council of the Corporation of the fact that a Dealer Member has been designated as being in an early warning category level 1 without naming the Dealer Member.

No Dealer Member shall enter into any transaction or take any action, as described in any of sub-clauses (1), (2), (3) or (4) of clause (iv) of this Rule 30.3 which, when completed, would have or would reasonably be expected to have the effect on the Dealer Member as described in any of paragraphs (a), (b), (c) or (d), without first notifying the Corporation in writing of its intention to do so and receiving the written approval of the Corporation prior to implementing such transaction or action.

30.4 LEVEL 2.

A Dealer Member shall be designated in early warning level 2 if at any time:

Liquidity

Its early warning excess is a negative number; or

Capital

Its risk adjusted capital is less than 2% of total margin required; or

Profitability

1. The quotients obtained by dividing each of

   (a) Risk adjusted capital as at the date of calculation; and

   (b) Risk adjusted capital as at the end of the preceding month,

   By the average of the net profit or loss (before interest on internal subordinated debt, bonuses, income taxes and extraordinary items) for the six month periods ending with (i) the current month and (ii) the preceding month, respectively, where such average is a loss, are

   (c) Both less than three, or

   (d) The quotient obtained by using the number in paragraph (b) as a divisor is greater than or equal to three but less than six, and the quotient obtained by using the number in paragraph (a) is less than three, or

2. The risk adjusted capital at the date of calculation is less than three times the net loss (as defined above) for the current month; or

3. The risk adjusted capital at the time of calculation is less than the total net profit or loss (as defined above) for the three months ending with the current month; or

Discretionary

The condition of the Dealer Member, in the sole discretion of the Corporation, is not satisfactory for any reason including, without limitation, financial or operating difficulties, problems arising

from record keeping conversion or significant changes in clearing methods, the fact that the Dealer Member is a new Dealer Member or the Dealer Member has been late in any filing or reporting required pursuant to the Rules.

Frequency

1. It has been designated in an early warning level (any combination of levels 1 and 2) three or more times in the preceding six months; or

2. It has been designated in early warning level 1 under the Profitability criteria and at the time has been designated in early warning level 1 under either the Liquidity or Capital criteria.

30.5 If the Dealer Member is designated as being in early warning level 2, the following provisions shall apply in addition to the provisions of Rule 30.3 which shall continue to apply except to the extent inconsistent with this Rule 30.5:

(a) The chief executive officer and the chief financial officer of the Dealer Member shall immediately deliver to the Corporation a letter advising that the circumstances of this Rule 30.5 are applicable to the Dealer Member;

(b) The Dealer Member shall file its monthly financial reports required pursuant to Rule 16.2 no later than 10 business days, or, in the discretion of the Corporation if considered to be practicable, such earlier time following the end of the relevant month;

(c) The chief executive officer and the chief financial officer of the Dealer Member shall attend at the offices of the Corporation to outline the proposals of the Dealer Member for rectifying the problems which account for the Dealer Member being designated as being in early warning category Level 2;

(d) The Dealer Member shall file a weekly capital report containing the same information required in a monthly financial report pursuant to Rule 16.2 no later than five business days or, in the discretion of the Corporation if considered to be practicable, such earlier time following the end of the relevant week;

(e) The Dealer Member shall file weekly on a form prescribed by the Corporation a report of its aged segregation deficiencies and an explanation of the actions proposed to be taken pursuant to Rule 2000.10 to correct such deficiencies;

(f) The Dealer Member shall prepare and file a business plan relating to the Dealer Member's business within such time, for such period and covering such matters as the Corporation may direct;

(g) The Corporation may request and the Dealer Member shall provide in such time as the Corporation considers practicable, such reports or information, on a daily or a less frequent basis, as may be necessary or desirable in the opinion of the Corporation to assess and monitor the financial condition or operations of the Dealer Member;

(h) The Corporation shall report monthly to the applicable District Council of the Corporation of the fact that a Dealer Member has been designated as being in an early warning category level 2 and any restrictions imposed in respect to Rule 30.6 without naming the Dealer Member;

(i) The Dealer Member shall pay, at the discretion of the Corporation, the reasonable costs and expenses of the Corporation incurred in connection with the administration of this Rule 30 in respect of the Dealer Member;

(j) The amount of client's free credit balances permitted to be used by a Dealer Member pursuant to Rule 1200 may be reduced to such amount as the Corporation may in his or her opinion consider desirable.

30.6 The Corporation may impose prohibitions upon a Dealer Member who is designated, as being in Early Warning Category Level 2 pursuant to Part 9 of Rule 20.

30.7 The Corporation shall promptly advise any other participating institution of the Canadian Investor Protection Fund of which a Dealer Member is also a member of the fact that the Dealer Member has been designated as being in early warning category level 2, the reasons for such designation and any sanctions or restrictions that have been imposed upon the Dealer Member pursuant to Part 9 Rule 20 or Rule 19.

30.8 A Dealer Member shall remain designated as being in early warning level 1 or level 2, as the case may be, and subject to the provisions in this Rule 30 as are applicable, until the latest filed monthly financial reports of the Dealer Member, or such other evidence or assurances as may be appropriate in the circumstances demonstrate, in the opinion of the Corporation, that the Dealer Member no longer is required to be designated as being in an early warning category and the Dealer Member has otherwise complied with this Rule 30.

RULE 31

INACTIVE STATUS

31.1. A Dealer Member wishing to be temporarily transferred to the category of Dealer Member with Inactive Status shall apply to the Board of Directors in writing, in care of the Corporation, giving reasons for its request.

31.2. The Board of Directors may, having received an application referred to in Rule 31.1, transfer the Dealer Member to Inactive Status for such fixed period of time and subject to such terms and conditions as the Board of Directors may, in its sole discretion, deem advisable.

31.3. Notice of the transfer of a Dealer Member to Inactive Status shall forthwith be given by the Corporation to the Dealer Member transferring, all other Dealer Members and to such other persons as the Board of Directors may direct.

31.4. Unless a Dealer Member with Inactive Status has applied to the Board of Directors in writing, in care of the Corporation, at least 30 days prior to the expiration of the period of time established by the Board of Directors pursuant to Rule 31.2, for an extension of the time during which such Dealer Member shall remain a Dealer Member with Inactive Status and the Board of Directors has approved an extension for such further period and subject to such terms and conditions as the Board of Directors may, in its sole discretion, deem advisable, the Dealer Member with Inactive Status shall automatically resume the status of a Dealer Member at the expiration of the period of time originally established by the Board of Directors.

31.5. Upon the expiration of the extended period of time fixed by the Board of Directors pursuant to Rule 31.4 the Dealer Member with Inactive Status shall resume the status of a Dealer Member.

RULE 32

RIGHTS OFFERINGS

32.1. A Dealer Member engaged in trading in rights to subscribe for shares of a company listed on a recognized stock exchange, or engaged in trading in the shares issued or to be issued on the exercise of such rights, shall comply with the provisions of the relevant by-laws of such stock exchange in the form in which such by-laws have been enacted at the relevant time. For the purposes of this Rule 32, the Board of Directors hereby designates as recognized stock exchanges the following exchanges: The TSX Venture Exchange, The Montreal Exchange and The Toronto Stock Exchange.

RULE 33

REVIEW BY SECURITIES COMMISSIONS

33.1. Any Dealer Member or other person directly affected by a decision of the Board of Directors, a District Council, Hearing Panel, Board Panel or Appeal Panel (other than a decision in respect of which the time for review or appeal under the Rules has elapsed) in respect of which no further review or appeal is provided in the Rules may request any securities commission with jurisdiction in the matter to review such decision and notice in writing of such appeal shall be given forthwith to the National Hearing Coordinator.

RULE 34

RULINGS

34.1. The Board of Directors shall have the authority to make Rulings not inconsistent with the By-laws or Rules and to repeal and amend the same from time to time, and all such Rulings for the time being in force shall be binding upon all Members.

34.2. Rulings made by the Board of Directors shall be effective and shall remain in force only until the next meeting of the Board of Directors of the Corporation following the date of the making of any such Rulings, unless confirmed by the Board of Directors either at or prior to such meeting.

RULE 35

INTRODUCING BROKER/CARRYING BROKER ARRANGEMENTS

35.1. General

(a) For the purposes of this Rule 35:

(i) "Carrying Broker" means the Dealer Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that carries client accounts, which at a minimum includes the clearing and settlement of trades, the maintenance of books and records of client transactions and the custody of some or all client funds and securities;

(ii) "Introducing Broker" means the Dealer Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that introduces client accounts to the carrying broker;

(iii) "Canadian Financial Institution" means a Schedule I or Schedule II Bank pursuant to the Bank Act (Canada), an insurance company governed by federal or provincial insurance legislation and a loan or trust company governed by federal or provincial loan and trust company legislation.

(b) A Dealer Member may, with the approval of the applicable District Council and if otherwise in compliance with the terms of this Rule and any requirements of the regulatory authority in the jurisdiction of the introducing broker, carry accounts of clients introduced to it by:

(i) Another Dealer Member; or

(ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.

(c) A Dealer Member shall not introduce accounts to any person other than:

(i) Another Dealer Member; or

(ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.

(d) For the purposes of this Rule 35, arrangements whereby employees of a Dealer Member's affiliated Canadian financial institution handle securities clearance and settlement, maintain records and perform operational functions on behalf of the Dealer Member shall not be considered to be introducing/carrying arrangements for the purposes of this Rule 35, provided that pursuant to the arrangement, the employees of the Dealer Member's affiliated Canadian financial institution handle custodial functions on a segregated basis in accordance with the segregation provisions of the Rule.

(e) Except as otherwise provided herein, an introducing broker may introduce clients to only one carrying broker. An introducing broker that introduces clients to a carrying broker shall enter into a written contract with the carrying broker to which it introduces clients defining, to an extent determined from time to time by the Corporation the rights and obligations between them.

(i) Dealer Members who enter into an introducing broker/carrying broker arrangement must enter into a written contract in a form prescribed from time to time by the Corporation and each such introducing broker/carrying broker arrangement shall come into effect only after it is approved by the Corporation;

(ii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement cannot enter into more than one introducing broker/carrying broker arrangement other than one additional introducing broker/carrying broker arrangement exclusively for trading in futures contracts and options;

(iii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement shall not fully service any part of its securities-related activities, other than fully servicing trading in futures contracts and options;

(iv) An introducing broker that is party to an Introducing Type 1 Arrangement shall carry out trade settlement and custody of securities related to its principal trading through the facilities of the carrying broker; and

(v) An introducing broker that is party to an Introducing Type 3 or Type 4 Arrangement may enter into more than one introducing broker/carrying broker arrangement and may also fully service part of its securities-related activities.

(f) Each introducing or carrying broker that is a party to an introducing broker/carrying broker arrangement and that is not a Dealer Member, and each of such introducing or carrying brokers' partners, directors, officers, shareholders and employees, shall comply with all Rules, Rulings and Forms of the Corporation.

(g) Each introducing broker/carrying broker arrangement must be classified as an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement and must meet the requirements for such arrangement as set out in this Rule 35.

(h) A Dealer Member may apply for an exemption from the requirements of Rule 35 in accordance with Rule 20.25.

35.2. Introducing Type 1 Arrangement

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 1 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 1 Arrangement must maintain at all times minimum capital of $75,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

(i) The carrying broker shall calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation.

(ii) The introducing broker shall calculate and maintain the margin for any principal business carried on its behalf by the carrying broker in accordance with the relevant margin requirements of the Corporation. The carrying broker shall provide for margin for any principal business which it carries on behalf of the introducing broker to the extent of any equity deficiency in the introducing broker's trading account.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing

broker. The carrying broker shall notify the introducing broker of all such offsets at the time of such offset. Upon receiving notification of such offset, the introducing broker shall reclassify that portion of the deposit which relates to the margin offset as a non-allowable asset on its Form 1 (Joint Regulatory Financial Questionnaire and Report) or Monthly Financial Report.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the carrying broker shall, and the introducing broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the carrying broker's Form 1 or Monthly Financial Report.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

The deposit provided by the introducing broker to the carrying broker shall be reported by the introducing broker as an allowable asset on its Form 1 or Monthly Financial Report. However, any portion of the deposit that may be impaired in value due to the carrying broker carrying client accounts with unsecured debit balances on behalf of the introducing broker shall be reclassified as a non-allowable asset on the Form 1 or Monthly Financial Report of the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of Form 1, the carrying broker shall include, and the introducing broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

(j) Insurance

(i) The introducing broker shall maintain minimum insurance of $200,000 for the purposes of Rule 400.4.

(ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

(iii) The carrying broker shall include all accounts introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

(iv) Both the introducing broker and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall obtain from the person opening the account an acknowledgement, in a form satisfactory to the Corporation, that the introducing broker has advised the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

The name and role of each of the introducing broker and the carrying broker shall be shown on all contracts, statements, correspondence and other documentation, and shall both be parties to any margin agreements and guarantee documentation.

(m) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered a client of the carrying broker for the purposes of complying with the Rules, Rulings and Forms of the Corporation.

(n) Responsibility for Compliance with all Non-Financial Requirements

Unless otherwise specified in this Rule 35.2, the introducing broker and the carrying broker shall be jointly and severally responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(o) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried by the carrying broker only with the approval of the carrying broker through the use of an account in the name of the carrying broker.

(p) Reporting of Principal Positions

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report the principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.3. Introducing Type 2 Arrangement

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 2 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 2 Arrangement must maintain at all times minimum capital of $250,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

(i) The carrying broker shall calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation.

(ii) The introducing broker shall calculate and maintain the margin for any principal business carried on its behalf by the carrying broker in accordance with the relevant margin requirements of the Corporation. The carrying broker shall provide for margin for any principal business which it carries on behalf of the introducing broker to the extent of any equity deficiency in the introducing broker's trading account.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing broker. The carrying broker shall notify the introducing broker of all such offsets at the time of such offset. Upon receiving notification of such offset, the introducing broker shall reclassify that portion of the deposit which relates to the margin offset as a non-allowable asset on its Form 1 (Joint Regulatory Financial Questionnaire and Report) or Monthly Financial Report.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the carrying broker shall, and the introducing broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the carrying broker's Form 1 or Monthly Financial Report.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

The deposit provided by the introducing broker to the carrying broker shall be reported by the introducing broker as an allowable asset on its Form 1 or Monthly Financial Report. However, any portion of the deposit that may be impaired in value due to the carrying broker carrying client accounts with unsecured debit balances on behalf of the introducing broker shall be reclassified as a non-allowable asset on the Form 1 or Monthly Financial Report of the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedule 9 and 12 of Form 1, the carrying broker shall include, and the introducing broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

(j) Insurance

(i) The introducing broker shall maintain minimum insurance of $500,000 for the purposes of Rule 400.4.

(ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

(iii) The carrying broker shall include all accounts introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

(iv) Both the introducing broker and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall obtain from the person opening the account an acknowledgement, in a form satisfactory to the Corporation, that the introducing broker has advised the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on any contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, all margin agreements and guarantee documentation shall be in the name of both the introducing broker and the carrying broker.

(m) Required Annual Disclosure

At least annually, the introducing broker shall provide written disclosure, in the form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and

the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

(n) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of complying with the Rules, Rulings and Forms.

(o) Responsibility for Compliance with all Non-Financial Requirements

Unless otherwise specified in this Rule 35.3, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(p) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

(q) Reporting of Principal Positions

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.4. Introducing Type 3 Arrangement

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 3 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 3 Arrangement must maintain at all times minimum capital of $250,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

The carrying broker shall calculate the margin for any principal and agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation and the introducing broker shall maintain such required margin.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker with the carrying broker.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the introducing broker shall, and the carrying broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the introducing

broker's Form 1 or Monthly Financial Report. Notwithstanding the foregoing, the carrying broker shall be required to report one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker on its Form 1 or Monthly Financial Report. Such reporting of one balance shall not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Comfort Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of the Form 1, the introducing broker shall include, and the carrying broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

(j) Insurance

(i) The introducing broker shall maintain minimum insurance protection of $500,000 for the purposes of Rule 400.4.

(ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

(iii) The carrying broker and the introducing broker shall include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

(iv) Both the introducing and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall advise the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on all contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, all margin agreements and guarantee documentation shall be in the name of both the introducing broker and the carrying broker.

(m) Required Annual Disclosure

At least annually, the introducing broker shall provide written disclosure, in a form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

(n) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of the Rules, Rulings and Forms.

(o) Responsibility for Compliance with all Non-Financial Exchange Requirements

Unless otherwise specified in this Rule 35.4, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(p) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

(q) Reporting of Principal Positions

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.5. Introducing Type 4 Arrangement

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 4 Arrangement, the parties shall executive an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 4 Arrangement must maintain at all times minimum capital of $250,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

The carrying broker shall calculate the margin for any principal and agency business that the carrying broker carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation and the introducing broker shall maintain the required margin.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made with the carrying broker.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the introducing broker shall, and the carrying broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the introducing Broker's Form 1 or Monthly Financial Report. Notwithstanding the foregoing, the carrying broker shall be required to report one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker on its Form 1 or Monthly Financial Report. Such reporting of one balance shall not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the introducing broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of Form 1, the introducing broker shall include, and the carrying broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The introducing broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to the carrying broker by the introducing broker.

(j) Insurance

(i) The introducing broker shall maintain minimum insurance protection of $500,000 for the purposes of Rule 400.4.

(ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.

(iii) The carrying broker and the introducing broker shall include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset measurement for minimum Financial Institution Bond coverage for Clauses (a) through (E) under Rule 400.2.

(iv) Both the introducing and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall advise the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on all contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, if any guarantee or margin agreement is solely between the client and the introducing broker, the agreement between the introducing broker and the carrying broker shall provide that the carrying broker may act to protect its interest in those securities for which it has not been paid by the introducing broker at the time that the introducing broker becomes insolvent, bankrupt or ceases to be a member of a self-regulatory organization that is a participating institution in the Canadian Investment Protection Fund.

(m) Required Annual Disclosure

At least annually, the introducing broker shall provide written disclosure, in the form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

(n) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of the Rules, Rulings and Forms.

(o) Responsibility for Compliance with all Non-Financial Exchange Requirements

Unless otherwise specified in this Rule 35.5, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(p) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

(q) Reporting of Principal Positions

The introducing broker shall report all principal positions carried by the carrying broker for the introducing broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.6. Exemption for Arrangements Between a Dealer Member and a Foreign Affiliate

Notwithstanding the provisions of this Rule 35, on the application of a Dealer Member pursuant to Rule 20.25, the applicable District Council may exempt any arrangements between a Dealer Member and a Dealer Member's foreign affiliate pursuant to which the Dealer Member carries accounts of the foreign affiliate or its clients from the requirements of this Rule 35 (other than Rule 35.6) provided that the arrangements meet the following criteria:

(a) Exemption Applicable to Affiliates of the Member

The exemption in this Rule 35.6 shall apply only to arrangements between a Dealer Member and a foreign affiliate of the Dealer Member. The Dealer Member shall provide the Exchange with evidence satisfactory to the Exchange of such relationship and of the details of the arrangement between them.

(b) Disclosure of Relationship to Clients of Foreign Affiliate

The Dealer Member shall ensure that the foreign affiliate, at least annually, provides written disclosure, in a form satisfactory to the Corporation, to each of the foreign affiliate's clients whose accounts are being carried by the Dealer Member, outlining the relationship between the Dealer Member and the Dealer Member's foreign affiliate and the relationship between the Dealer Member and the client of the foreign affiliate, and outlining any limitations on coverage of such client accounts by the Canadian Investor Protection Fund.

(c) Approval by the Requisite Authority in the Foreign Affiliate's Jurisdiction

The exemption provided in this Rule 35.6 shall only be granted by the applicable District Council upon receipt by the Corporation of written approval from the regulatory authority in the foreign affiliate's jurisdiction acknowledging and approving the arrangement between the Dealer Member and the Dealer Member's foreign affiliate.

(d) Responsibility for Compliance with Corporation Requirements

Foreign affiliates of a Dealer Member that have an arrangement with the Dealer Member as set out in this Rule 35.6, are not required to comply with the requirements of the Rules, Rulings and Forms of the Corporation solely as a result of such an arrangement.

(e) Reporting of Balances

In calculating its risk adjusted capital required under Rule 17.1 and Form 1, the Dealer Member shall report one balance owing to or from its foreign affiliate in relation to the accounts of the clients which the Dealer Member is carrying on behalf of its foreign affiliate on its Form 1 or Monthly Financial Report.

(f) Segregation of Securities

The Dealer Member shall be responsible for segregating all securities which it holds for clients of its foreign affiliate in accordance with the segregation requirements of the Rules.

(g) Insurance

The Dealer Member shall include all accounts introduced to it by its foreign affiliate in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

RULE 36

INTER-DEALER BOND BROKERAGE SYSTEMS

36.1. No Dealer Member shall trade domestic debt securities through the facilities of an inter-dealer bond broker unless the broker has been approved as such by the Board of Directors, the approval has not been rescinded, and the trade is made in compliance with the operating procedures of the broker and the rules of the Corporation. For purposes of this Rule and Rule 2100, "domestic debt securities" means Canadian dollar denominated debt securities other than Eurodollar securities and any other securities that the Board of Directors determines should not be treated as domestic debt securities.

36.2 An application for approval as an inter-dealer bond broker shall be in such form and executed in such manner as the Board of Directors may prescribe and shall contain or be accompanied by such information as the Rules and the Board of Directors may require.

36.3. Any inter-dealer bond broker shall be eligible for approval, and continued approval, if:

(a) It is registered or licensed in each jurisdiction in Canada where the nature of its business requires such registration or licensing, and is in compliance with such legislation and the requirements of any securities commission having jurisdiction over the applicant; and

(b) It complies with such other standards and conditions of approval as set forth from time to time in the Rules.

36.4. The provisions of Rule 33.1 shall apply mutatis mutandis to any decision of the Board of Directors and for the purposes of any decision made under this Rule 36, the securities commission referred to in Rule 33.1 shall be deemed conclusively to have jurisdiction to dispose of any review or appeal sought in connection therewith. Any party affected by a decision of the Board of Directors may require the Board of Directors to give reasons in writing for the decision.

RULE 37

ALTERNATIVE DISPUTE RESOLUTION

37.1 Each Dealer Member shall participate in or become a member of an arbitration programme or organization approved by the Board of Directors which provides for the mandatory submission to binding arbitration by the Dealer Member of any dispute, claim or controversy between a Dealer Member and a client on request by the client. The Dealer Member shall comply with and be bound by the rules, procedures, decisions and orders of or made under such approved programme or organization.

Neither the participation nor membership of a Dealer Member in any such programme or organization nor any decision or order made thereunder in respect of a Dealer Member shall affect the jurisdiction of the Corporation or any of the Board, a District Council, committee or member, representative or employee of any of them, from exercising any authority under the By-laws, Rules, Rulings, or Forms of the Corporation or a District Council.

The Board of Directors may approve one or more arbitration programmes or organizations for Dealer Members, or any class of Dealer Members, and on such terms and conditions as it may in its sole discretion determine.

37.2 Each Dealer Member shall participate in an ombudsperson service approved by the Board of Directors. On the client's request, any dispute, claim or controversy between a Dealer Member and a client shall be submitted to the ombudsperson service. The determination of eligibility of any dispute, claim or controversy shall be made by the ombudsperson service according to criteria defined in the service's terms of reference. The Dealer Member shall comply with and be bound by the rules, procedures and standards of the ombudsperson service. The ombudsperson's recommendations are non-binding on each participant in the service.

Neither the participation of a Dealer Member in the ombudsperson service nor any recommendations made by the ombudsperson service in respect of the Dealer Member shall affect the jurisdiction of the Corporation or any of the Board, a District Council, committee or member, representative or employee of any of them, from exercising any authority under the By-laws, Rules, Rulings, or Forms of the Corporation or a District Council.

37.3 Each Dealer Member shall provide to new clients, and to clients who submit written complaints to the Dealer Member, a copy of the written material approved by the Corporation which describes the arbitration programme or organization approved by the Board of Directors pursuant to Rule 37.1 and the ombudsperson service approved by the Board of Directors pursuant to Rule 37.2.

37.4 A Dealer Member or any person approved by, or under the jurisdiction of, the Corporation, that is requested by the ombudsperson service to provide information in connection with an investigation shall submit the requested information, books, records, reports, filings and papers to the service in such manner and form, including electronically, as may be prescribed by such service.

No information, answer or statement made in connection with an investigation or the review of a complaint by the ombudsperson shall be provided to the Corporation by the ombudsperson, except for an investigation under Rule 19 or a hearing pursuant to Rule 20 into an allegation that the Dealer Member, with intent to mislead the ombudsperson provided information, documentation, answers or statements knowing them to be false; or failed to provide any information as required by Rule 37.

RULE 38

RESPONSIBILITIES OF THE CHIEF COMPLIANCE OFFICER AND ULTIMATE DESIGNATED PERSON

38.1 Every Dealer Member shall designate its Chief Executive Officer, its President, its Chief Operating Officer or its Chief Financial Officer (or such other officer designated with the equivalent supervisory and decision-making responsibility) to act as the Ultimate Designated Person (the "UDP") who shall be responsible to the applicable self-regulatory organization for the conduct of the firm and the supervision of its employees.

38.2 Where a Dealer Member is organized into two or more separate business units or divisions, a Dealer Member may designate a UDP for each separate business unit or division.

38.3 Every Dealer Member shall appoint an Alternate Designated Person (an "ADP"), who shall be so approved, to act as Chief Compliance Officer (the "CCO").

38.4 Notwithstanding section 38.3, a Dealer Member may appoint the UDP to act as the CCO.

38.5 Where a Dealer Member is organized into two or more separate business units or divisions, a Dealer Member may designate a CCO for each separate business unit or division.

38.6 The Chief Compliance Officer shall have the qualification required pursuant to Rule 2900, Part IA, Section 2B

38.7 Notwithstanding Rule 38.6, a Dealer Member may, with the Corporation's approval, appoint an officer as Acting Chief Compliance Officer, if the Chief Compliance Officer suddenly terminates his or her employment with the Dealer Member and the Dealer Member is unable to immediately appoint another qualified person as chief compliance officer provided that, within 90 days of the termination of the previous Chief Compliance Officer:

(i) the acting chief compliance officer successfully completes the Chief Compliance Officers Qualifying Examination and is approved by the Corporation as Chief Compliance Officer; or

(ii) another qualified person is appointed Chief Compliance Officer by the Dealer Member and is approved by the Corporation.

38.8 The Corporation may grant to a Dealer Member an exemption from Rule 38.6 where it is satisfied that the nature of the Dealer Member's business is such that the qualification is not relevant to the Dealer Member and that to do so would not be prejudicial to the interests of the Dealer Member, its clients, the public or the Corporation. In granting such an exemption, it may impose such terms and conditions as it considers necessary.

38.9 Every Dealer Member shall also appoint as many additional ADPs as are necessary, given the scope and complexity of its businesses, who shall be partners, directors or officers of the Dealer Member.

38.10 The ADPs referred to in Rule 38.6 shall report to the UDP as necessary to ensure that the businesses of the Dealer Member are carried out in compliance with applicable self-regulatory by-laws, regulations, policies and forms.

38.11 The CCO shall report to the board of directors (or equivalent) of the Dealer Member as necessary but at least annually on the status of compliance at the Dealer Member.

38.12 The board of directors (or equivalent) shall review the report of the CCO and determine what actions are necessary and ensure such actions are carried out in order to address any compliance deficiencies noted in the report.

38.13 The UDP shall ensure that policies and procedures are developed and implemented which adequately reflect the regulatory requirements of the Dealer Member.

38.14 The CCO shall monitor adherence to the Dealer Member's policies and procedures as necessary to ensure that the management of the compliance function is effective and to provide reasonable assurance that standards of the applicable self-regulatory organization are met.

38.15 Every Dealer Member shall file with the applicable self-regulatory organization

(a) A copy of a governance document setting out the organizational structure and reporting relationships, which support the compliance arrangement set out above; and

(b) Notice of any material changes to the organizational structure and reporting relationships as set out in paragraph (a).

RULE 39

PRINCIPAL AND AGENT

39.1. All Rules and Forms of the Corporation that refer to the term employee shall be deemed to refer as well to the term agent and all references to the term employment shall be deemed to refer as well to the term agency relationship, where applicable.

39.2. For the purposes of this Rule "securities related business" means any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or exchange contracts (including commodity futures contracts and commodity futures options) for the purposes of applicable securities legislation and exchange contracts legislation in any jurisdiction in Canada, including for greater certainty, sales pursuant to exemptions under that legislation.

39.3. The relationship between the Dealer Member and any person conducting securities related business on behalf of the Dealer Member may be that of:

a) an employee, or

b) an agent who is not an employee,

but may not be that of an incorporated salesperson.

39.4. Where a Dealer Member structures its business relationship with a person conducting securities related business on behalf of the Dealer Member using the principal / agent relationship contemplated in paragraph 39.3(b), the Dealer Member shall ensure that:

a) the business relationship is not contrary to the provisions of applicable legislation;

b) such agent is registered or licensed in the manner necessary, and is in good standing, under the applicable legislation in the province or territory where the agent proposes to act;

c) the Dealer Member shall be responsible for, and shall supervise the conduct of the agent in respect of the business including compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;

d) the Dealer Member shall be liable to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member's business as if the agent were an employee of the Dealer Member;

e) the agent is in compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;

f) the financial institution bond and insurance policies required to be maintained by the Dealer Member pursuant to Rule 17 and Rule 400 cover and relate to the conduct of the agent;

g) all books and records prepared and maintained by the agent in respect of the business of the Dealer Member shall be in accordance with Rule 17 and Rule 200 and all applicable legislation and shall be the property of the Dealer Member and shall be available for review by and delivery to the Dealer Member at all times and upon termination of the agreement referred to in paragraph (n);

h) the Dealer Member shall, at all times, have access to the premises of the agent where the agent conducts securities related business on behalf of the Dealer Member ;

i) in the event of a compliance issue arising in respect of a client or clients, the Dealer Member shall be entitled to take control of all future dealings with the client or clients;

j) all securities related business conducted by the agent is in the name of the Dealer Member subject to Rule 29.7A;

k) the agent shall not conduct securities related business with or on behalf of any person other than the Dealer Member;

l) if the agent is engaged in or carrying on any business activity other than business conducted on behalf of the Dealer Member, including any business or activity which is subject to regulation by any regulatory authority other than a securities commission, compliance with the terms of the agreement referred to in paragraph (n) shall be monitored and enforced directly by the Dealer Member and not by or through any other person including another employer or principal of the agent;

m) the terms or basis on which the agent may be engaged in or carry on any business or activity other than the business conducted on behalf of the Dealer Member shall not prevent or impair the ability of the Dealer Member or the Corporation from monitoring and enforcing compliance by the agent with the terms of the agreement referred to in paragraph (n) or the Rules of the Corporation; and

n) the Dealer Member and the agent shall enter into an agreement in writing which shall be provided to the Corporation prior to engaging in the principal/agent relationship and shall contain terms which include the provisions of paragraph (a) to (m), inclusive, and which do not include provisions which are inconsistent with paragraph (a) to (m), and shall provide the Corporation with a certificate by an officer or director of such Dealer Member and upon request by the Corporation shall provide an opinion of counsel confirming the agreement is in compliance with such provisions;

o) the Dealer Member and the Corporation shall enter into an agreement in writing prior to the Dealer Member engaging in the principal/agent relationship, which shall contain terms which include the provisions of paragraphs (c) and (d) that specifically relate to the Dealer Member's responsibility for and supervision of the agent to ensure the agent's compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject and relate to the Dealer Member's liability to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member's business as if the agent were an employee of the Dealer Member;

p) the agreements referred to in paragraphs (n) and (o) shall be in a form satisfactory to the Corporation;

q) the Dealer Member and the agent shall be responsible for ensuring all arrangements between them comply with applicable tax laws and for providing satisfactory evidence to the Corporation of such compliance.

APPENDIX A

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

PROVISIONS FOR AGENCY AGREEMENTS

IN CONNECTION WITH RULE 39.4

1. Definitions

(a) "Agent" means [•].

(b) "Applicable Laws" means all laws, legislation and regulations of any governmental entity that are applicable to the Dealer Member and all by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority that are applicable to the Dealer Member, including, without limitation, the Rules.

(c) "Client" means a person who has engaged the services of the Dealer Member through the Agent.

(d) "Corporation" means Investment Industry Regulatory Organization of Canada.

(e) " Rules" means the Rules of the Corporation as each may be amended, supplemented, restated or replaced from time to time.

(f) "Dealer Member" means [•], together with its successors and permitted assigns.

(g) "Dealer Member Business" means any business activity of the Agent conducted on behalf of the Dealer Member.

(h) "Non-Dealer Member Business" means any business activity of the Agent that is not Dealer Member Business.

(i) "Records" means books, records, client files, client information and all other documentation of the Agent relating in any way to Dealer Member Business, whether in written or electronic form.

(j) "Securities Related Business" has the meaning specified in Rule 39.2.

2. Confirmation of Supremacy of Rule 39.4

(a) The Agent and the Dealer Member acknowledge and confirm that this Agreement is intended to be made and be effective in compliance with the Rules, including without limitation Rule 39.4. In the event of any inconsistency between the terms of this Agreement and the terms of Rule 39.4, the terms of Rule 39.4 shall prevail. Any such inconsistent terms of this Agreement shall be deemed to be severable and deleted with the intent that this Agreement shall be construed, complied with by the Agent and the Dealer Member and enforced in a manner that gives full effect to the terms of Rule 39.4.

3. Compliance by the Agent with Applicable Laws

(a) The Agent represents and warrants to the Dealer Member that (i) it is registered or licensed in the manner necessary under all Applicable Laws; (ii) it is in good standing under all Applicable Laws; and (iii) it is in compliance with all Applicable Laws.

(b) The Agent shall (i) maintain any registrations or licenses in the manner necessary under all Applicable Laws; (ii) remain in good standing under all Applicable Laws; and (iii) comply with all Applicable Laws.

4. Conduct of the Agent's Business

(a) Subject to Rule 29.7A, the Agent shall conduct all Dealer Member Business in the name of the Dealer Member.

(b) The Agent shall not conduct any Securities Related Business with, in respect of or on behalf of any person other than the Dealer Member. The Agent shall not conduct any Non-Dealer Member Business except as disclosed in writing to the Dealer Member and as consented to in writing by the Dealer Member.

5. Supervision of the Agent by the Member

(a) The Dealer Member shall be responsible for the conduct of the Agent, and shall supervise the conduct of the Agent in respect of Dealer Member Business, including, without limitation, compliance by the Agent with all Applicable Laws and with the terms of this Agreement.

(b) If the Agent is engaged in or carrying on Non-Dealer Member Business, the Dealer Member shall monitor and enforce compliance with the terms of this Agreement directly, and not by or through any other person.

(c) The Agent shall ensure that the terms or basis on which it is engaged in or carries on Non-Dealer Member Business comply with the terms of this Agreement and the Rules and do not prevent or impair the ability of the Dealer Member or the Corporation from monitoring and enforcing compliance by the Agent with the terms of this Agreement and the Rules.

(d) Where the Dealer Member and Agent agree that the Agent shall make written disclosure to Clients advising Clients of the business activity included in or excluded from the Securities Related Business that the Dealer Member conducts and that any other business activity conducted by the Agent is not the responsibility of the Dealer Member but the responsibility of the Agent alone, the Dealer Member shall be responsible for ensuring that the Agent provides the disclosure directly to Clients.

(e) The Dealer Member shall be liable to clients (and other third parties) for the acts and omissions of the Agent relating to Dealer Member Business as if the Agent were an employee of the Dealer Member, subject to any defence available to the Dealer Member under Applicable Laws.

(f) In the event that:

(i) the Corporation, a securities commission or any other regulatory authority having jurisdiction has advised the Dealer Member to the effect that, or has commenced an investigation or any proceeding on the basis that, or

(ii) the Dealer Member has reasonable grounds to believe that,

the conduct by the Agent of any business in respect of any Client or Clients is not in compliance with any Applicable Laws, the Dealer Member may immediately and without notice to the Agent assume responsibility for and control of all or any dealings and communications with such Client or Clients, and the Agent shall not engage in any such dealings or communications with the Client or Clients for as long as and to the extent that the Dealer Member has assumed such responsibility. During the period that the Dealer Member has assumed responsibility for the Client or Clients in the manner above, the Dealer Member may designate another employee or agent of the Dealer Member who is qualified to provide such services to the Client or Clients as may be necessary or desirable in connection with its Dealer Member Business, and all or any portion of the

remuneration otherwise payable to the Agent in respect of such services or business may be directed or paid to such other employee or agent.

6. Records and Insurance

(a) The Agent shall prepare all Records in accordance with Rule 17, Rule 200 and all other Applicable Laws.

(b) The Agent's Records are the property of the Dealer Member. Upon the request of the Dealer Member for any reason, including, without limitation, the termination of this Agreement, the Agent shall forthwith deliver the Records to the Dealer Member.

(c) The Dealer Member shall maintain, in accordance with Rule 17 and Rule 400, financial institution bond and insurance policies that cover and relate to the conduct of the Agent.

7. Access by the Member

(a) The Agent shall make the Records available for review by the Dealer Member at the premises where the Agent conducts securities related business on behalf of the Dealer Member and at any other place the Records are located. The Dealer Member has the right to inspect the Records at any time, immediately upon demand by the Dealer Member.

(b) The Dealer Member has the right to access any place of business of the Agent at any and all times. The Dealer Member may exercise such right to access at any time, immediately upon demand by the Dealer Member.

APPENDIX B

MEMBER AGREEMENT REGARDING AGENTS

TO: INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA(THE "CORPORATION")

RECITALS:

A. The Dealer Member is a member of the Corporation and has agreed to be bound by its By-laws and Rules ("Rules").

B. Rule 39.4(o) of the Corporation requires the Dealer Member to enter into this Agreement, which is in addition to, and does not replace or modify, the Rules or any agreement between the Corporation and the Dealer Member.

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Dealer Member agrees that:

1. The Dealer Member shall ensure that each of its agents (as defined in Rule 39.3(b)) complies with all laws, legislation and regulations of any governmental entity that are applicable to such agent and all by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority that are applicable to such agent (collectively, "Applicable Laws"), as if such agent is an employee of the Dealer Member.

2. The Dealer Member shall enter into an agreement with each agent of the Dealer Member, in accordance with Rule 39.4(n) of the Corporation, pursuant to which the agent agrees to comply with all Applicable Laws.

3. The Dealer Member shall administer and comply with all Rules as if each agent of the Dealer Member is an employee of the Dealer Member and, without limitation, shall be responsible for and shall supervise the conduct of each agent in respect of its business, including compliance with Applicable Laws as if such agent is an employee of the Dealer Member.

4. The Dealer Member or the agent of the Dealer Member shall make written disclosure to the client advising the client of the business activity included in or excluded from the securities related business (as defined in Rule 39) that the Dealer Member conducts and that any other business activity conducted by the agent is not the responsibility of the Dealer Member but is the responsibility of the agent alone. The disclosure to new clients shall be provided at the time an account is opened for a client. The disclosure to existing clients shall be provided simultaneously with the language set out in Paragraph 7 within 6 months of the effective date of Rule 39.

5. Where the written disclosure described in Paragraph 4 is made by the agent, the Dealer Member shall ensure that the agent provides the disclosure directly to the client.

6. At the time an account is opened for a client, the Dealer Member shall include the following language in the New Client Application Form:

> Your investment adviser may be an employee or an agent of [Dealer Member firm]. In either case, [Dealer Member firm] will be irrevocably liable to you, and will continue to be liable to you for the acts and omissions of your investment adviser relating to [Dealer Member firm's] business as if the investment adviser were an employee of [Dealer Member firm]. By continuing to deal with our firm you accept our offer of indemnity.

7. For existing client accounts that were opened with the Dealer Member on or before the effective date of Rule 39, the Dealer Member shall deliver to clients a document that includes the language as set out in Paragraph 6.

8. This Agreement shall be governed by the laws of the [applicable province or territory] and the laws of Canada applicable in the [applicable province or territory].

9. This Agreement shall enure to the benefit of, and shall be binding upon, the parties hereto and their successors and permitted assigns, provided that the Dealer Member may not assign its rights and obligations hereunder without the prior written consent of the Corporation.

DATED as of the ____ day of _____, _____.

[MEMBER]

_____

Name:

Title:

RULE 40

INDIVIDUAL APPROVALS, NOTIFICATIONS AND FEES AND THE NATIONAL REGISTRATION DATABASE

40.1 Definitions

For the purposes of this Rule 40,

(1) "authorized firm representative" or "AFR" means, for a Dealer Member, an individual with his or her own NRD user ID and who is authorized by the Dealer Member to submit information in NRD format for that Dealer Member and individual applicants with respect to whom the Dealer Member is the sponsoring Dealer Member.

(2) "chief AFR" means, for a Dealer Member filer, an individual who is an AFR and has accepted an appointment as a chief AFR by the Dealer Member.

(3) Form 33-109F1 means the form for the submission through NRD of a Notice of Termination of an individual mandated by NRD Multilateral Instrument 33-109.

(4) Form 33-109F2 means the form for the submission through NRD of an application for change or surrender of categories of registration mandated by NRD Multilateral Instrument 33-109.

(5) Form 33-109F3 means the form for the submission through NRD of information regarding business locations of registered dealers mandated by NRD Multilateral Instrument 33-109.

(6) Form 33-109F4 means the form for submission through NRD of applications for individual registration and information on non-registered individuals mandated by NRD Multilateral Instrument 33-109.

(7) Form 33-109F5 means the paper form of a notification of a change in information regarding an individual registrant or Dealer Member mandated by NRD Multilateral Instrument 33-109.

(8) "National Registration Database" or "NRD" means the online electronic database of registration and approval information regarding Dealer Members, their registered or approved partners, officers, directors, employees or agents and other firms and individuals registered under securities legislation in Canada, and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means.

(9) "NRD account" means an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit.

(10) "NRD access date" means the date a Dealer Member receives notice that it has access to NRD to make NRD submissions.

(11) "NRD Administrator" means CDS INC. or a successor appointed by the Canadian securities regulatory authorities and the Corporation to operate NRD.

(12) "NRD format" means the electronic format for submitting information through the NRD website.

(13) "NRD Multilateral Instrument 31-102" means Multilateral Instrument 31-102 National Registration Database adopted by the Canadian securities regulatory authorities.

(14) "NRD Multilateral Instrument 33-109" means Multilateral Instrument 33-109 Registration Information adopted by the Canadian securities regulatory authorities.

(15) "NRD submission" means information that is submitted under this Rule 40 in NRD format, or the act of submitting information under this Rule 40 in NRD format, as the context requires.

(16) "NRD website" means the website operated by the NRD Administrator for the NRD submissions.

(17) "transition Dealer Member" means a Dealer Member that

(a) was a Dealer Member on February 3, 2003, or

(b) was not a Dealer Member on February 3, 2003 and applied for Membership before March 31, 2003.

(18) "Quebec transition Dealer Member" means a Dealer Member registered in the Province of Quebec as of January 1, 2005.

40.2 Obligations of Dealer Members regarding the National Registration Database

(1) Each Dealer Member shall

(a) enrol in NRD and pay to the NRD Administrator an enrolment fee calculated as prescribed by the Board of Directors;

(b) have one and no more than one chief AFR enrolled with the NRD Administrator;

(c) maintain one and no more than one NRD account;

(d) notify the NRD Administrator of the appointment of a chief AFR within 5 business days of the appointment;

(e) notify the NRD Administrator of any change in the name of the firm's chief AFR within 5 business days of the change; and

(f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 5 business days of the change.

40.3 Approvals and Notifications

(1) Each Dealer Member making an application for approval of an individual in any capacity required under any Rule of the Corporation shall make such application to the Corporation through the NRD on Form 33-109F4.

(2) Each Dealer Member shall notify the Corporation of the appointment of an Ultimate Designated Person pursuant to Rule 38.1, a Chief Compliance Officer pursuant to Rule 38.3 or a Chief Financial Officer pursuant to Rule 7.5(a) through the NRD on Form 33-109F4.

(3) Each Dealer Member making an application under subsection (1) shall be liable for and pay such fees as are prescribed from time to time by the Board of Directors, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

(4) Any fees payable to the Corporation or to the NRD Administrator pursuant to subsection (3) above shall be submitted by electronic pre-authorized debit through NRD.

40.4 Application for Change of Approval Category

(1) Each Dealer Member making an application for approval of any Approved Person in a different or additional capacity requiring approval under any Rule of the Corporation or to surrender an existing approval shall make such application to the Corporation through the NRD on Form 33-109F2.

(2) Each Dealer Member making an application under subsection (1) shall be liable for and pay such change of status fees as are prescribed from time to time by the Board of Directors, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

(3) Any fees payable to the Corporation or the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

40.5 Report of Changes pursuant to Rule 3100

(1) Each Dealer Member making a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 of the Corporation shall make the report through the NRD on Form 33-109F4 in the time required pursuant to NRD Multilateral Instrument 33-109.

40.6 Exemption request

(1) Each Dealer Member making an application for an exemption of an Approved Person or applicant for approval from a proficiency requirement pursuant to the Corporation's Rule 2900 that is submitted with an application for approval made through the NRD shall make such application to the Corporation through the NRD.

(2) Each Dealer Member making an application under subsection (1) above shall be liable for and pay to the Corporation an exemption request fee as prescribed from time to time by the Board of Directors.

(3) Any fees payable to the Corporation and to the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

40.7 Termination of Approved Persons

(1) Each Dealer Member shall notify the Corporation of the termination of the Dealer Member's employment of or principal/agent relationship with any individual approved in any capacity under any Rule of the Corporation through the NRD on Form 33-109F1 within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of the same type of event.

(2) Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member to file a notification required under subsection (1) above within the time period referred to in subsection (1).

(3) Any fees payable to the Corporation pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

40.8 Notification of Opening or Closing of Branch or Sub-branch Office

(1) Each Dealer Member required to notify the Corporation of the opening or closing of a branch pursuant to Rule 4.6 or sub-branch office pursuant to Rule 4.7 shall do so through the NRD on Form 33-109F3 within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-

109, to notify the regulator of the opening or closing, as applicable, of a business location.

(2) Each Dealer Member shall notify the Corporation through the NRD of any change in the address, type of location or supervision of any branch or sub-branch office within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in Multilateral Instrument 33-109, to notify the regulator of a change in a business location.

40.9 Annual NRD User Fee

(1) Each Dealer Member shall be liable for and pay to the NRD Administrator an annual user fee as prescribed from time to time by the Board of Directors for each person approved in any capacity under any Rule of the Corporation and recorded as such on the NRD as of the date of calculation of such annual fee as prescribed by the Board of Directors.

(2) Any fees payable to the NRD Administrator pursuant to subsection (1) above shall be submitted by electronic pre-authorized debit through NRD.

40.10 Transition

(1) Accuracy of Branch or Sub-branch Information - If the information recorded on NRD for a branch or sub-branch office of a transition Dealer Member is missing or inaccurate on the NRD access date, the transition Dealer Member must submit a completed Form 33-109F3 in NRD format in respect of that branch or sub-branch by February 28, 2005.

(2) Identification of Branch or Sub-branch of Approved Persons - Each Dealer Member must make submissions through the NRD identifying the branch or sub-branch location of all Approved Persons of the Dealer Member by February 28, 2005.

(3) Approved Persons Included in the Data Transfer

(a) Except as provided in subsection (b), in respect of Approved Persons who were recorded on NRD as Approved Persons of a transition Dealer Member on the NRD access date, the transition Dealer Member must submit completed Forms 33-109F4 in NRD format for

(i) 5 percent of those Approved Persons by the end of April 2004,

(ii) 10 percent of those Approved Persons by the end of May 2004,

(iii) 15 percent of those Approved Persons by the end of June 2004,

(iv) 20 percent of those Approved Persons by the end of July 2004,

(v) 25 percent of those Approved Persons by the end of August 2004,

(vi) 30 percent of those Approved Persons by the end of September 2004,

(vii) 35 percent of those Approved Persons by the end of October 2004,

(viii) 40 percent of those Approved Persons by the end of November 2004,

(ix) 45 percent of those Approved Persons by the end of December 2004,

(x) 50 percent of those Approved Persons by the end of March 2005,

(xi) 55 percent of those Approved Persons by the end of April 2005,

(xii) 60 percent of those Approved Persons by the end of May 2005,

(xiii) 65 percent of those Approved Persons by the end of June 2005,

(xiv) 70 percent of those Approved Persons by the end of July 2005,

(xv) 75 percent of those Approved Persons by the end of August 2005,

(xvi) 80 percent of those Approved Persons by the end of September 2005,

(xvii) 85 percent of those Approved Persons by the end of October 2005,

(xviii) 90 percent of those Approved Persons by the end of November 2005,

(xix) 95 percent of those Approved Persons by the end of December 2005, and

(xx) all of those Approved Persons by the end of March 2006.

(b) Despite subsection (a), a transition Dealer Member is not required to submit a completed Form 33-109F4 in respect of an Approved Person if another Dealer Member or a non-Dealer Member firm registered under securities legislation has submitted a completed Form 33-109F4 in respect of the Approved Person.

(4) Reporting Changes to Information regarding Approved Persons

A transition Dealer Member making a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 after the NRD access date for an Approved Person for whom a completed Form 33-109F4 in NRD format has not been submitted pursuant to subsection 40.10(3)(a) shall:

(a) submit within 5 business days of the change a completed Form 33-109F5 in paper form showing the change, and

(b) if the notification concerns any change with regard to:

Item 1 of Form 33-109F4 – Name

Item 2 of Form 33-109F4 – Residential Address where the change is a move out of province

Item 14 of Form 33-109F4 – Criminal Disclosure

Item 15 of Form 33-109F4 – Civil Disclosure, or

Item 16 of Form 33-109F4 – Financial Disclosure

submit within 15 days of the submission of the completed Form 33-109F5 a completed Form 33-109F4 in NRD format regarding the Approved Person.

(5) Currency of Form 33-109F4 - For greater certainty, a completed Form 33-109F4 that is submitted under this section must be current on the date that it is submitted despite any prior submission in paper format.

(6) Termination of Relationship - Despite a requirement under this section to submit a completed Form 33-109F4, a transition Dealer Member is not required to submit a Form 33-109F4 in respect of an Approved Person if the Dealer Member has submitted a completed Uniform Termination Notice or Form 33-109F1 in respect of the Approved Person in paper form before the Dealer Member's NRD access date or through the filing of a Form 33-109F1 through the NRD after the Dealer Member's NRD access date.

40.11 Temporary Hardship Exemption

(1) If unanticipated technical difficulties prevent a Dealer Member from making a submission in NRD format within the time required under this Rule 40, the Dealer Member is exempt from the requirement to make the submission within the required time period, if the Dealer Member makes the submission in paper format or NRD format no later than 5 business days after the day on which the information was required to be submitted.

(2) Form 33-109F5 is the paper format for submitting a notice of a change to Form 33-109F4 information.

(3) If unanticipated technical difficulties prevent a Dealer Member from submitting an application in NRD format, the Dealer Member may submit the application in paper format.

(4) If a Dealer Member makes a paper format submission under this section, the Dealer Member must include the following legend in capital letters at the top of the first page of the submission:

IN ACCORDANCE WITH CORPORATION RULE 40.11 AND SECTION 5.1 OF MULTILATERAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD), THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED IN PAPER FORMAT UNDER A TEMPORARY HARDSHIP EXEMPTION.

(5) If a Dealer Member makes a paper format submission under this section, the Dealer Member must resubmit the information in NRD format as soon as practicable and in any event within 10 business days after the unanticipated technical difficulties have been resolved.

40.12 Due Diligence and Record Keeping

(1) Each Dealer Member must make reasonable efforts to ensure that information submitted in any submission through the NRD is true and complete.

(2) Each Dealer Member must retain all documents used by the Dealer Member to satisfy its obligation under subsection (1) for a period of 7 years after the individual ceases to be an Approved Person of the Dealer Member.

(3) A Dealer Member that retains a document under subsection (2) in respect of an NRD submission must record the NRD submission number on the document.

40.13 Transition of Quebec Transition Members

(1) Each Quebec transition Dealer Member having Approved Persons registered solely in the Province of Quebec as of January 1, 2005 shall submit to the Corporation a completed Form 33-109F4 for each such Approved Person by November 30, 2005.

(2) Despite subsection (1), a Quebec transition Dealer Member is not required to submit a Form 33-109F4 for an Approved Person registered solely in the Province of Quebec if the Dealer Member terminates its employment of or principal/agent relationship with the person prior to having submitted a Form 33-109F4 pursuant to subsection (1) and files with the Corporation a completed Uniform Termination Notice or Form 33-109F1 in paper form.

(3) A Quebec transition Dealer Member making a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 after January 1, 2005 for an Approved Person registered solely in the Province of Quebec for whom a completed Form 33-109F4 in NRD format has not been submitted pursuant to subsection (1) shall:

(a) submit within 5 business days of the change a completed Form 33-109F5 in paper form showing the change, and

(b) submit within 15 business days of the filing in subsection (a) above through the NRD a completed Form 33-109F4 regarding the Approved Person showing the correct information as of the date of filing.

(4) A Quebec transition Dealer Member applying to make a change of registration or Approval category or add or surrender an Approval category of an Approved Person approved solely in the Province of Quebec as of January 1, 2005 for whom a completed Form 33-109F4 has not been submitted shall:

(a) submit a Form 33-109F4 through the NRD showing the Approved Persons current registration and Approval categories, and

(b) submit a Form 33-109F2 through the NRD showing the change, addition or surrender of registration or Approval category for which application is being made.

(5) A Dealer Member applying for transfer of the Approval of a person formerly registered solely in the Province of Quebec for whom a completed Form 33-109F4 has not been submitted through NRD shall:

(a) submit an application for transfer in paper form; and

(b) within 15 days of the date of the application in (a) above, submit through the NRD a completed Form 33-109F4 regarding the person.

(6) Each Quebec transition Dealer Member having Approved Persons registered in the Province of Quebec and in other provinces as of January 1, 2005 shall submit to the Corporation a completed Form 33-109F4 for each such Approved Person adding the categories of their registration in the Province of Quebec by November 30 , 2005.

(7) A Quebec transition Dealer Member that terminates its employment of or principal/agent with an Approved Person registered in the Province of Quebec and one or more other provinces prior to the filing of a completed From 33-109F4 pursuant to subsection (6) above shall file a Form 33-109F1 through the NRD with respect to the Approved Person's registration in the other provinces and a Uniform Termination Notice or Form 33-109F1 in paper form with respect to the Approved Persons registration in the Province of Quebec.

(8) A Quebec transition Dealer Member required to make a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 after January 1, 2005 for an Approved Person registered in the Province of Quebec and other provinces for whom a completed Form 33-109F4 in NRD format has not been submitted pursuant to subsection (6) above shall submit through the NRD the Form 33-109F4 pursuant to subsection (6) and then a completed Form 33-109F5 regarding the change within 5 business days of the change.

(9) A Quebec transition Dealer Member applying to make a change of registration or Approval category or add or surrender an Approval category of an Approved Person registered in the Province of Quebec and other provinces as of January 1, 2005 for whom a completed Form 33-109F4 pursuant to subsection (6) above has not been submitted shall submit through the NRD the Form 33-109F4 pursuant to subsection (6) showing only the addition of the current registration categories in Quebec and then a Form 33-109F2 with respect to the change, addition or surrender or registration or Approval category.

(10) A Quebec transition member applying for the transfer of an Approved Person registered and Approved at his or her previous Dealer Member firm in Quebec and another province for whom a completed Form 33-109F4 pursuant to subsection (6) above has not been submitted shall:

(a) Submit an application for transfer in any other provinces through the NRD system;

(b) Submit an application for transfer in Quebec in paper form;

(c) Within 15 days of the approval of the transfer in (b) above, submit a Form 33-109F4 pursuant to subsection (6) above adding the registration and Approval categories in Quebec.

(11) Subsections 40.10(1) and (2) do not apply to the branch and sub-branch offices located in the Province of Quebec of a Quebec transition Dealer Member.

RULE 100

MARGIN REQUIREMENTS

100.1. In this Rule 100 and, unless the contrary is specified, in each Rule, Ruling or Form of the Corporation, each term used which is not defined herein or therein, but is defined or used in Form 1 shall have the meaning as defined or used in Form 1.

100.2. For the purpose of Rule 17.13 and this Rule 100 the following margin requirements are hereby prescribed:

(a) Bonds, Debentures, Treasury Bills and Notes

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Service, Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

within 1 year	1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	1 % of market value
over 3 years to 7 years	2% of market value
over 7 years to 11 years	4% of market value
over 11 years	4% of market value

(ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any province of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

within 1 year	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	3% of market value
over 3 years to 7 years	4% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

(iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year to 3 years	5% of market value
over 3 years to 7 years	5% of market value
over 7 years to 11 years	5% of market value
over 11 years	5% of market value

(iv) Other non-commercial bonds and debentures, (not in default):

10% of market value

(v) Commercial and corporate bonds, debentures and notes (not in default) and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the Dealer Member's name maturing:

within 1 year	3% of market value (*)
over 1 year to 3 years	6% of market value (*)
over 3 years to 7 years	7% of market value (*)
over 7 years to 11 years	10% of market value (*)
over 11 years	10% of market value(*)

(1) If convertible and selling over par, the margin required shall be the lesser of:

(a) the sum of:

(i) the above rates multiplied by par value; and

(ii) the excess of market value over par value;

and

(b) the maximum margin requirement for a convertible security calculated pursuant to Rule 100.21.

(2) If convertible and selling at or below par, the margin required shall be the above rates multiplied by market value.

(3) If selling at 50% of par value or less and if rated "B" or lower by either Canadian Bond Rating Service or Dominion Bond Rating Service, the margin requirement shall be 50% of market value.

(4) In the case of U.S. pay securities if selling at 50% of par value or less and if rated "B" or lower by either Moody's or Standard & Poor's, the margin requirement shall be 50% of market value.

(5) If convertible and a residual debt instrument (zero coupon), the margin requirement shall be the lesser of:

(a) the greater of:

(i) the margin requirement for a convertible debt instrument calculated pursuant to this Rule 100.2(a)(v); and

(ii) the margin requirement for a residual debt instrument (zero coupon) instrument calculated pursuant to Rule 100.2(a)(xi);

and;

(b) the maximum margin requirement for a convertible security calculated pursuant to Rule 100.2.

(6) Where such commercial and corporate bonds, debentures and notes are obligations of companies whose notes are acceptable notes as defined in Rule 100.2(a)(vi) then the margin requirements in such Rule shall apply.

(vi) Acceptable commercial, corporate and finance company notes, and trust company and mortgage loan company obligations readily negotiable and transferable and maturing:

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

"Acceptable Commercial, Corporate and Finance Company Notes" means notes issued by a company incorporated in Canada or in any province of Canada and (a) having a net worth of not less than $10,000,000, (b) guaranteed by a company having a net worth of not less than $10,000,000, or (c) a binding agreement exists whereby a company having a net worth of not less than $25,000,000 is obliged, so long as the notes are outstanding, to pay to the issuing company or to a trustee for the note-holders, amounts sufficient to cover all indebtedness under the notes where the borrower, either:

(A) Files annually under the applicable provincial legislation a prospectus relating to its notes which have a term to maturity of one year or less and provides to Dealer Members acting as authorized agent(s) the following information in written form:

(1) Disclosure of limitation, if any, on the maximum principal amount of notes authorized to be outstanding at any one time; and

(2) A reference to the bank lines of credit of the borrower or of its guarantor if a guarantee is required; or

(B) Provides to Dealer Members acting as authorized agent(s) an information circular or memorandum which includes or is accompanied by the following:

(1) Recent audited financial statements of the borrower or of its guarantor if a guarantee is required;

(2) An extract from the borrower's general borrowing by-law dealing with the borrower's corporate authorization to borrow;

(3) A true copy of a resolution of directors of the borrower certified by the borrower's Secretary and stating in substance:

(i) The limitation, if any, on the maximum amount authorized to be borrowed by way of issue of notes, and

(ii) Those officers of the borrower company who may legally sign the notes by hand or by facsimile;

(4) Where notes are guaranteed, a certified copy of a resolution of directors of the guarantor company, authorizing the guarantee of such notes;

(5) A certificate of incumbency and facsimile signatures of the authorized signing officers of the borrower and its guarantor, if any;

(6) Specimen copies of the note or notes;

(7) A favourable opinion of counsel for the borrower regarding the incorporation, organization and corporate status of the borrower, its corporate capacity to issue the notes and the due authorization by it of the issuance of the notes;

(8) Where notes are guaranteed, a favourable opinion of counsel for the guarantor regarding the incorporation, organization and corporate status of the guarantor, its capacity to guarantee the notes and the due authorization, validity and effectiveness of its guarantee; and

(9) A summary setting forth the following:

A. A brief historical synopsis of the borrowing company and of its guarantor, if any;

B. Purpose of the issue;

C. A reference to the bank lines of credit of the borrowing company or of its guarantor, if a guarantee is required;

D. The denominations in which notes may be issued.

(vii) Acceptable foreign commercial, corporate and finance company notes

Acceptable foreign commercial, corporate and finance company notes readily negotiable and maturing:

within 1 year	3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

"Acceptable Foreign Commercial, Corporate and Finance Company Notes" means promissory notes issued by a company, or guaranteed by a company incorporated in a country other than Canada, with a net worth of not less than $25,000,000 where information equivalent to that required by Rule 100.2(a)(vi) is provided by the borrower.

(viii) Bonds in default: 50% of market value;

(ix) Income bonds which have paid in full interest at the stated rate for the two preceding years as required by the related trust indenture which must specify that such interest be paid if earned:

Currently paying interest at the stated rate:

10% of market value

Not paying interest, or paying at less than the stated rate:

50% of market value

(x) British Columbia Government Guaranteed Parity Bonds:

Long Positions:	One-quarter of 1% of par value or rates prescribed under Rule 100.2(a)(ii) above;

Short Positions:	Rates prescribed under Rule 100.2(a)(ii) above.

(xi) Stripped coupons and the residual debt instruments:

The percentage of market value which is

(A) for instruments with a term to maturity of less than 20 years, 1.5 times

(B) for instruments with a term to maturity of 20 years or more, 3 times

the margin rate applicable to the debt instrument which has been stripped or to which the detached coupon or other evidence of interest relates, provided that in determining the term to maturity of a coupon or other evidence of interest the payment date for such interest shall be considered the maturity date. Margin in respect of residual debt instruments which are convertible into other securities shall be determined in accordance with paragraph (5) of Rule 100.2(a)(v).

(b) Bank Paper

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

within 1 year	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

(c) Acceptable foreign bank paper

Deposit certificates or promissory notes issued by a foreign bank, readily negotiable and transferable and maturing:

within 1 year	2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365
over 1 year	apply rates for commercial and corporate bonds, debentures and notes

"Acceptable Foreign Bank Paper" consists of deposit certificates or promissory notes issued by a bank other than a Canadian chartered bank with a net worth (i.e. capital plus reserves) of not less than $200,000,000.

(d) Unhedged Foreign Exchange

Unhedged foreign exchange positions of a Dealer Member or customer of a Dealer Member shall be margined in accordance with this Rule 100.2(d). Foreign exchange positions are monetary assets and liabilities (as defined) and shall include currency spot transactions, futures and forward contracts, swaps and any other transaction which results in exposure to foreign exchange rate risk.

(i) General Principles

(A) Each unhedged foreign exchange position shall be margined in the manner provided in this Rule on a currency by currency basis according to the four currency groups defined in Rule 100.2(d)(v) at the following margin rates, subject to an adjustment to the margin rate of a Group 1, 2 or 3 currency pursuant to Rule 100.2(d)(v)(C):

Currency Group

	1	2	3	4
Spot Risk Margin Rate	1.0%	3.0%	10.0%	25.0%
Term Risk Margin Rate	1.0%	3.0%	5.0%	12.5%

(B) All calculations in respect of unhedged positions shall be made on a trade date basis.

(C) Dealer Members shall be permitted at their option to margin certain inventory positions in accordance with Rule 100.2(d)(iii) instead of the other applicable provisions of this Rule 100.2(d).

(D) References to conversion to Canadian dollars at the spot exchange rate shall be to the rate quoted by a recognized quote vendor for contracts with a term to maturity of one day.

(E) Monetary assets and liabilities are assets and liabilities, respectively, of a Dealer Member in respect of money and claims to money whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.

(F) Inventory long or short currency futures contracts listed on a recognized exchange which are included in the unhedged foreign exchange calculations hereunder are not required to be margined pursuant to Rule 100.8.

(G) Dealer Members shall be permitted at their option to exclude non-allowable monetary assets from monetary assets for the purpose of calculating the margin requirement under this Rule 100.2(d).

(H) For the purpose of this Rule 100.2(d) the futures exchanges on which currency futures contracts are traded and that are listed on the most recently published list of recognized exchanges and associations, used for the purposes of determining “regulated entities”, are deemed to be recognized exchanges.

(ii) Foreign Exchange Margin Requirement

The foreign exchange margin requirement for foreign exchange positions shall be the aggregate of the spot risk margin requirement and the term risk margin requirement calculated based on the spot risk margin rate and the term risk margin rate, respectively, specified in Rule 100.2(d)(i)(A).

(A) Spot Risk Margin Requirement

(1) The spot risk margin requirement shall apply to all monetary assets and liabilities regardless of term to maturity.

(2) The spot risk margin requirement shall be calculated as the product of the net monetary position and the spot risk margin rate.

(3) Monetary assets and liabilities will be considered to be spot positions unless they have a term to maturity of more than 3 days.

(4) The spot risk margin requirement shall be converted to Canadian dollars at the then current spot exchange rate.

(B) Term Risk Margin Requirement

(1) The term risk margin requirement shall apply to all monetary assets and liabilities which have a term to maturity of more than 3 days, where the term to maturity is defined as the amount of time to when the claim to the monetary asset or the obligation to satisfy monetary liability expires.

(2) The term risk margin requirement is calculated as the product of the market value of the monetary asset or liability, the weighting factor and the term risk margin rate. The weighting factor of a monetary asset or liability with a term to maturity of 2 years or less shall be the number of days to maturity of the monetary asset or liability divided by 365 days, provided that if the term to maturity is 3 calendar days or less the weighting factor shall be zero.

(3) The term risk margin rate for an unhedged foreign exchange position shall not exceed the following rates:

Currency Group

	1	2	3	4
Maximum Term Risk Margin Rate	4.0%	7.0%	10.0%	25.0%

(4) Where the Dealer Member has both monetary assets and monetary liabilities the term risk margin requirement may be netted as follows:

(i) 2 Years Or Less To Maturity

The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency which both have a term to maturity of 2 years or less shall be the net of the term risk margin requirements of the monetary assets and liabilities.

(ii) Over 2 Years To Maturity

The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency which both have a term to maturity of greater than 2 years shall be the greater of the term risk margin requirements of the monetary assets and liabilities.

(iii) Provisos

(a) The term risk margin requirements in respect of monetary assets or liabilities denominated in the same currency one having a term to maturity of 2 years or less and one having a term to maturity of more than 2 years which have a difference in their respective terms to maturity of 180 days or less shall be the net of the term risk margin requirements of the monetary assets and liabilities.

(b) Where a Dealer Member has offsetting positions, one having a term to maturity of 2 years or less and one having a term to maturity of more than 2 years, the sum of the term risk margin requirement of the offsetting positions shall not exceed the product of the market value which is offset and the following rates:

Currency Group

1	2	3	4
5.0%	10.0%	20.0%	50.0%

(5) The term risk margin requirement shall be converted to Canadian dollars at the then current spot exchange rate.

(6) The sum of the security margin requirement and the foreign exchange margin requirement shall not exceed 100%.

(iii) Alternative Futures and Forward Contract Inventory Margin

As an alternative to the foreign exchange margin requirement determined under this Rule 100.2(d) for futures and forward contract inventory positions denominated in a currency which has a currency futures contract which trades on a recognized exchange the foreign exchange margin requirement may be calculated as follows.

(A) Futures Contracts

Foreign exchange positions consisting of futures contracts may be margined at the margin rates prescribed by the exchange on which such futures are listed.

(B) Forward Contracts Offsets

Forward contract positions which are not denominated in Canadian dollars may be margined as follows:

(i) Margin shall be the greater of the margin as prescribed in Rule 100.2(d)(i) and (ii) on each of the two positions;

(ii) Two forward contracts held by a Dealer Member which have one currency common to both contracts, are for the same value date, and the amount of the common currency positions are equal and offsetting, may be treated as a single contract for the purposes of this paragraph (B).

(C) Futures and Forward Contract Offsets

Futures and forward contract positions which are not denominated in Canadian dollars may be margined as follows:

(i)

(a) Margin shall be the greater of the margin as prescribed in Rule 100.2(d)(i) and (ii) on each of the two positions;

(b) Margin rates applicable to unhedged positions under this paragraph (C) shall be the rates established by this Rule and not the rates prescribed by the exchange on which the futures contracts are listed;

(ii) Two forward contracts held by a Dealer Member which have one currency common to both contracts, are for the same value date, and the amount of the common currency positions are equal and offsetting, may be treated as a single contract for the purposes of this paragraph (C).

(iv) Customer Margin

Unhedged foreign exchange positions of customers shall be margined in accordance with Rules 100.2(d)(i), (ii), and (v), provided that:

(A) No margin shall be required in respect of the accounts of customers who are acceptable institutions as defined in Form 1.

(B) The margin required in respect of acceptable counterparties and regulated entities as defined in Form 1 shall be calculated on a mark-to-market basis.

(C) The margin required in respect of foreign exchange positions (excluding cash balances) held in the accounts of customers who are classified as other counterparties, as defined in Form 1, which are denominated in a currency other than the currency of the account, shall be the aggregate of the security margin requirement and the foreign exchange margin requirement, provided that where the margin rate applicable to the security is greater than the spot risk margin rate specified in Rule 100.2(d)(i)(A) the foreign exchange margin requirement shall be nil. The sum of the security margin requirement and the foreign exchange margin requirement shall not exceed 100%.

(D) Listed futures contracts shall be margined in the same manner as prescribed in Rule 100.8.

(v) Currency Groups

(A) Currency Group Criteria

The qualitative and quantitative criteria for each currency group are as follows:

Group 1

- volatility of the currency must be below the volatility threshold specified in paragraph (B)(a), and;
- is the primary intervention currency of the Canadian dollar.

Group 2

- volatility of the currency must be below the volatility threshold specified in paragraph (B)(a), and;
- there must be a daily quoted spot rate by a Canadian Schedule I chartered bank, and one of the following:
- a daily quoted spot rate by a member of the European Monetary System and a participant in the Exchange Rate Mechanism, or;
- there is a listed future for the currency exists on a recognized exchange.

Group 3

- volatility of the currency must be below the volatility threshold specified in paragraph (B)(a), and;
- there must be a daily quoted spot rate by a Canadian Schedule I chartered bank, and;
- the currency must be of a member country of International Monetary Fund with Article VIII status, and no capital payment restrictions as they relate to security transactions.

Group 4

- none.

(B) Monitoring Adherence To Currency Group Criteria

The Corporation shall be responsible for monitoring the adherence of each Group 1, 2 or 3 currency to the quantitative and qualitative criteria of the currency group described in paragraph (A).

(a) Currency Volatility

The volatility of each Group 1, 2 or 3 currency shall be monitored as follows. The Canadian dollar equivalent closing price on each of the four trading days succeeding the "base day" shall be compared to the base day closing price. The first of four succeeding trading days on which the percentage change in price (negative or positive) between the closing price on the succeeding day and the closing price on the base day is greater than the unhedged margin rate prescribed for the particular currency in paragraph 100.2(d)(i)(A) shall be designated an

"offside base day". If an offside base day has been designated, the offside base day shall be designated the base day for the purpose of making further base day closing price comparisons as aforesaid. If the number of offside base days during any 60 trading day period is greater than 3, the currency shall be deemed to have exceeded the volatility threshold of the currency group.

(b) Qualitative Criteria

On at least an annual basis, the Corporation shall assess the adherence of each currency in a group to the qualitative criteria of the particular currency group to determine whether the currency continues to satisfy the qualitative criteria of the currency group.

(C) Foreign Exchange Margin Surcharge

If the volatility of a Group 1, 2 or 3 currency exceeds the volatility threshold defined in paragraph (B)(a) then the margin rate shall be increased by increments of 10% until the application of the increased margin rate would result in no more than two offside days during the preceding 60 trading days. The increased margin rate shall apply for a minimum of 30 trading days and shall be automatically decreased to the margin rate otherwise applicable when after such 30 trading day period the volatility of the currency is less than the volatility threshold defined in paragraph (B)(a).

The Corporation shall be responsible for determining the required increase or decrease in foreign exchange margin rates under this paragraph (C).

(D) Currency Group Downgrades And Upgrades

Where

(a) The Corporation determines that a particular currency no longer satisfies the criteria of the particular currency group as defined in paragraph 100.2(d)(v)(A), or;

(b) A Dealer Member has provided to the Corporation information demonstrating that a currency satisfies the criteria specified in paragraph 100.2(d)(v)(A) for a currency group other than the currency group for which the currency is then designated, and the Corporation has verified such information to its satisfaction,

The Corporation shall recommend to the Financial Administrators Section that the currency be moved to the currency group with the lower or higher margin rate, as the case may be. If the Financial Administrators Section approves the recommendation, the Corporation shall notify Dealer Members of the change in the designated currency group of the particular currency.

(E) Foreign Exchange Concentration Charge

When in respect of any Group 2, Group 3 or Group 4 currency, the aggregate of the foreign exchange margin provided under this Rule 100.2(d) on a Dealer Member’s monetary assets and monetary liabilities

and the foreign exchange margin on customer accounts exceeds 25% of the firm's net allowable assets net of minimum capital (as determined for the purposes of Form 1), a concentration charge in addition to the foreign exchange margin already provided under this Rule 100.2(d) shall apply.

The concentration charge shall be equal to the amount of the foreign exchange margin provided under this Rule 100.2(d) which is in excess of 25% of the member's net allowable assets net of minimum capital.

(e) National Housing Act (N.H.A.)

Insured Mortgages	6% of market value
Conventional Mortgages	
Conventional first mortgages held in Dealer Member's inventory	12% of market value or the rates set by chartered banks, whichever is greater

(f) Stocks

(i) Listed on an exchange in Canada or the United States

For positions in securities listed (other than bonds and debentures but including rights and warrants other than Canadian bank warrants) on any recognized stock exchange in Canada or the United States:

Long Positions - Margin Required

Securities selling at $2.00 or more - 50% of market value

Securities selling at $1.75 to $1.99 - 60% of market value

Securities selling at $1.50 to $1.74 - 80% of market value

Securities selling under $1.50 may not be carried on margin

Positions in securities listed on markets or market tiers with initial or ongoing financial listing requirements that do not include adequate minimum pre-tax profit, net tangible asset and working capital requirements, as determined by the Corporation from time to time, may not be carried on margin.

Short Positions - Credit Required

Securities selling at $2.00 or more - 150% of market value

Securities selling at $1.50 to $1.99 - $3.00 per share

Securities selling at $0.25 to $1.49 - 200% of market value

Securities selling at less than $0.25 - market value plus $0.25 per share

(ii) Index constituent securities listed on certain other exchanges

For positions in securities (other than bonds and debentures but including warrants and rights), 50% of the market value provided:

(A) the exchange on which the security is listed is included on the list of exchanges and associations that qualify as "recognized exchanges and associations" for the purposes of determining "regulated entities"; and

(B) the security is a constituent security on the exchange's major broadly based index.

(iii) Warrants issued by a Canadian chartered bank

For positions in warrants issued by a Canadian chartered bank which entitle the holder to purchase securities issued by the Government of Canada or any province (other than firm positions to which Rule 100.12(e) applies) the margin shall be the greater of:

(A) the margin otherwise required by this Rule according to the market value of the warrant; or

(B) 100% of the margin required in respect of the security to which the holder of the warrant is entitled upon exercise of the warrant; provided that in the case of a long position the amount of margin need not exceed the market value of the warrant.

(iv) Unlisted securities eligible for margin

Subject to the existence of an ascertainable market among brokers or dealers the following unlisted securities shall be accepted for margin purposes on the same basis as listed stocks:

(A) Securities of insurance companies licensed to do business in Canada;

(B) Securities of Canadian banks;

(C) Securities of Canadian trust companies;

(D) Other senior securities of listed companies;

(E) Securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause;

(F) Unlisted securities in respect of which application has been made to list on a recognized stock exchange in Canada and approval has been given subject to the filing of documents and production of evidence of satisfactory distribution may be carried on margin for a period not exceeding 90 days from the date of such approval;

(G) All securities listed on The Nasdaq Stock Market[SM] (Nasdaq National Market® and The Nasdaq SmallCap Market[SM]).

(v) Other unlisted stocks

For positions in all other unlisted stocks not mentioned above:

Long Positions – margin required:

100% of market value

Short Positions – credit required:

Securities selling at $0.50 or more – 200% of market value

Securities selling at less than $0.50 – market value plus $.050 per share

(vi) Securities eligible for reduced margin

On securities which are described in clauses (i), (ii), (iii) and (iv) of Rule 100.12(a) (securities eligible for reduced margin), margin shall be 30% of market value.

(vii) Index participation units and qualifying baskets of index securities

(A) For index participation units:

(I) In the case of a long position, the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;

(II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for the index participation unit based on its regulatory margin interval) multiplied by the market value of the index participation units;

(B) For a qualifying basket of index securities:

(I) In the case of a long position, the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;

(II) In the case of a short position, 100% plus the floating margin rate percentage (calculated for a perfect basket of index securities based on its regulatory margin interval), plus the calculated incremental basket margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket of index securities;

For the purposes of this subparagraph, the definitions in Rule 100.9(c)(x), Rule 100.9(c)(xii), Rule 100.9(c)(xx) and Rule 100.9(c)(xxiv) apply.

(g) Units

According to components

(h) Mortgage-backed Securities

On instruments which are based upon mortgages and are guaranteed as to timely payment of principal and interest by an issuer or its agent, the rate specified in Rule 100.2(a), (b), or (c) applicable to securities of such guarantor according to the relevant maturity, plus additional margin of 25% of such specified rate. Mortgage-backed security instruments shall not be eligible for margin offset under Rules 100.4A, 100.4B or 100.4E.

(i) Precious Metal Certificates

On negotiable certificates issued by Canadian chartered banks and trust companies authorized to do business in Canada evidencing an interest in precious metals:

Gold:	10% of market value
Platinum and silver:	15% of market value

On silver certificates approved by Intermarket Services Inc. held by a Dealer Member, margin shall be 25% of market value.

(j) Interest Rate Swaps

For the purposes of this regulation, a “fixed interest rate” is an interest rate, which is not reset at least every 90 days and a “floating interest rate” is an interest rate, which is not a fixed interest rate. On interest rate swap agreements where payments are calculated with

reference to a notional amount, the obligation to pay and the entitlement to receive shall each be margined as separate components as follows:

(i) Where a component is a payment calculated according to a fixed interest rate, the margin required shall be the margin rate specified in Rule 100.2(a)(i) for a security with the same term to maturity as the outstanding term of the swap, multiplied by 125% and in turn multiplied by the notional amount of the swap;

(ii) Where a component is a payment calculated according to a floating interest rate, the margin required shall be the margin rate specified in Rule 100.2(a)(i) for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The counterparty to the interest rate swap agreement shall be considered the Dealer Member's customer. No margin is required for an interest rate swap entered into with a customer, which is an acceptable institution. The margin requirement for customers, which are acceptable counterparties, shall be any market value deficiency calculated relating to the interest rate swap agreement. The margin requirement for customers which are other counterparties shall be any loan value deficiency calculated relating to the interest rate swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above.

(k) Total Performance Swaps

On total performance swap agreements, the obligation to pay and the entitlement to receive shall each be margined as separate components as follows:

(i) Where a component is a payment calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount, the margin requirement shall be the normal margin required for the underlying security or basket of securities relating to this component, based on the market value of the underlying security or basket of securities;

(ii) Where a component is a payment calculated according to a floating interest rate, the margin required shall be the margin rate specified in Rule 100.2(a)(i) for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

The counterparty to the total performance swap agreement shall be considered the Dealer Member's customer. No margin is required for a total performance swap entered into with a customer, which is an acceptable institution. The margin requirement for customers, which are acceptable counterparties, shall be any market value deficiency calculated relating to the total performance swap agreement. The margin requirement for customers which are other counterparties shall be any loan value deficiency calculated relating to total performance rate swap agreement, determined by using the same margin requirements for each swap component as calculated in clauses (i) and (ii) above.

(l) Mutual Funds

Where securities of mutual funds qualified by prospectus for sale in any province of Canada are carried in a customer or firm account, the margin required shall be:

(i) 5% of the market value of the fund, where the fund is a money market mutual fund as defined in National Instrument 81-102; or

(ii) the margin rate determined on the same basis as for listed stocks multiplied by the market value of the fund.

100.2A. For purposes of the Rule 100 and Rule 17.13,

(a) a callable debt security may, at the Dealer Member's election, be deemed to have a maturity date equal to

(i) the original maturity date, if the market price of the callable debt security is trading at or below 101% of the call price; or

(ii) the first business day after the call protection period, if the market price of the callable debt security is trading above 101% of the call price.

(b) an extendible debt security may, at the Dealer Member's election, be deemed to have a maturity date equal to

(i) the original maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading at or below the extension factor times the current principal amount;

(ii) the extension maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading above the extension factor times the current principal amount; or

(iii) the original maturity date, if the extension election period has expired.

(c) a retractable debt security may, at the Dealer Member's election, be deemed to have a maturity date equal to

(i) the original maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading at or above the retraction factor multiplied by the current principal amount;

(ii) the retraction maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading below the retraction factor times the current principal amount; and

(iii) the original maturity date, if the retraction period has expired.

100.3. Bond Margin and Surcharge

For the purposes of Rule 17.13 and this Rule 100, margin shall be required in addition to the margin requirements prescribed elsewhere in the Rules, in respect of all securities evidencing a debt obligation of an issuer on the following basis:

(a) A debt security issued by the Government of Canada maturing in each of the three periods below shall be monitored for price volatility in the primary markets in which Dealer Members trade such securities:

(i) Over 1 year to 3 years;

(ii) Over 3 years to 7 years; and

(iii) Over 7 years.

(b) The closing price of the relevant security on each trading day in the markets being monitored (a "base day") shall be compared to the closing price of such security on the next four trading days succeeding such base day. The first day of such four succeeding days on which the difference (negative or positive) between (i) the closing price on the day and (ii) the base day closing price, expressed as a percentage of the base day closing price, is greater than the margin rate prescribed for the relevant security under the Rules shall be designated as an "offside base day." If an offside base day has been designated,

that day shall be the new base day for the purpose of making further base day closing price comparisons as aforesaid.

For any 90 calendar day period, the percentage that the number of offside base days is to the total number of trading days in such period shall be determined. If such percentage exceeds 5% for any two of the three classes of debt securities being monitored, additional margin will be required for all debt securities in accordance with Rule 100.3.

(c) The amount of additional margin that may be required in respect of any securities shall be 50% of the margin otherwise required under Rule 100.2.

(d) The period of time during which additional margin shall be required shall not be less than 30 days.

(e) The Corporation shall be responsible for monitoring the price volatility of debt securities traded by Dealer Members and determining when additional margin is required in accordance with clause (b) and when the requirement for additional margin shall be revoked in accordance with clause (f).

(f) If at any time after additional margin has been required for at least 30 days in accordance with clause (b), the percentage that the number of offside base days is to the total number of trading days for the immediately preceding 90 day period does not exceed 5%, the requirement for additional margin shall be revoked.

(g) The Corporation shall notify Dealer Members of the imposition or revocation of the requirement for additional margin. Any such notification shall be communicated in writing to all Dealer Members immediately upon the determination that such additional margin is to be imposed or revoked and such notice shall be effective not less than five business days after giving the notice.

Offsets

100.4A. Governments, Maturity Over One Year

Where a Dealer Member or a customer:

(a) Owns securities described in clause (i) or (ii) of Rule 100.2(a) of one maturity maturing over one year, and

(b) Has a short position in securities

(i) Issued or guaranteed by the same issuer of the securities referred to in (a) (provided that for these purposes each of the provinces of Canada shall be regarded as the same issuer as any other province),

(ii) Maturing over one year,

(iii) Maturing within the same periods for the purpose of determining margin rates as the securities referred to in (a), and

(iv) With a market value equal to the securities referred to in (a) (with the intent that no offset shall be permitted in respect of the market value of a long (or short) position which is in excess of the market value of the short (or long) position.

The two positions may be offset and the required margin computed with respect to the net long or net short position only. This Rule 100.4A also applies to future purchase and sales commitments.

100.4B. Governments, Maturity Within One Year

Where a Dealer Member or a customer:

(a) Owns securities described in clause (i) or (ii) of Rule 100.2(a) maturing within one year, and

(b) Has a short position in securities

(i) Issued or guaranteed by the same issuer of the securities referred to in (a) (provided that for these purposes each of the provinces of Canada shall be regarded as the same issuer as any other province),

(ii) Maturing within one year, and

(iii) With a market value equal to the securities referred to in (a) (with the intent that no offset shall be permitted in respect of the market value of a long (or short) position which is in excess of the market value of the short (or long) position

The margin required shall be the excess of the margin on the long (or short) position over the margin required on the short (or long) position. This Rule 100.4B also applies to future purchase and sale commitments.

100.4C. Debt Securities

Where a Dealer Member or a customer has a short and long position in the following groups of securities (identified by reference to the paragraphs and clauses of Rule 100.2) the total margin required in respect of both positions shall be the greater of the margin required on the long or short positions:

	Long (Short)		*Short (Long)*
(a)	100.2(a)(i) (U.S. Treasury only)	and	100.2(a)(ii) (Province of Canada only)
(b)	100.2(a)(i) (Canada and U.S. Treasury only)	and	100.2(a)(iii) (Canada municipal only)
(c)	100.2(a)(i) (Canada only)	and	100.2(a)(i) (U.S. Treasury only)
(d)	100.2(a)(i) (Canada and U.S. Treasury only)	and	100.2(a)(v) (corporate)
(e)	100.2(a)(ii) (Province of Canada only)	and	100.2(a)(iii) (Canada municipal only)
(f)	100.2(a)(ii) (Province of Canada only)	and	100.2(a)(v) (corporate)
(g)	100.2(a)(v) (corporate)	and	100.2(a)(v) (corporate) of the same issuer
(h)	100.2(b) (Canadian chartered bank acceptances only)	and	BAX futures contract

Where a Dealer Member or a customer has a short and long position in the following groups of securities (identified by reference to the paragraphs and clauses of Rule 100.2) the total margin required in respect of both positions shall be 50% of the greater of the margin required on the long or short position:

Long (Short)			*Short (Long)*
(i)	100.2(a)(i) (Canada only)	and	100.2(a)(i) (Canada of different maturity bands)
(j)	100.2(a)(i) (Canada only)	and	100.2(a)(ii) (Province of Canada of same or different maturity bands)
(k)	100.2(a)(ii) (Province of Canada only)	and	100.2(a)(ii) (Province of Canada only of

			same or different maturity bands)
(l)	100.2(a)(i) (Canada only)	and	100.2(a)(iii) (Canada municipal only)
(m)	100.2(a)(ii) (Province of Canada only)	and	100.2(a)(iii) (Canada municipal only)"

provided the foregoing offset may only be determined on the basis that:

(i) securities described in Rules 100.2(a)(v) (corporate) and 100.2(b) (bank paper) will only be eligible for offset if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;

(ii) securities in offsetting positions must be denominated in the same currency;

(iii) securities offsets described in items (i) to (k) can be of different maturity bands, all other offsetting positions must mature within the same periods referred to in Rule 100.2 for the purpose of determining margin rates; and

(iv) the market value of the offsetting positions is equal and no offset shall be permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position; and

(v) securities offsets described in items (l) and (m), Canada Municipal will only be eligible for offset if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record.

For the purposes of this Rule 100.4C, securities described in Rule 100.2(b) (bank paper) are eligible for the same offsets set out above as securities described in Rule 100.2(a)(v) (corporate).

For the purposes of this Rule 100.4C, the term "BAX futures contracts" shall mean the three-month Canadian bankers acceptance futures contracts that trade on the Bourse de Montreal under the "BAX" trading symbol.

100.4D. Mortgage-Backed Securities

Where a Dealer Member or a customer holds a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and also holds a long (or short) position in an instrument described in Rule 100.2(h) guaranteed by the Government of Canada (a "mortgage-backed security"), the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

(a) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in mortgage-backed securities to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

(b) Margin required in respect of bonds or debentures may only be netted against the margin required for mortgage-backed securities which mature within the same period referred to in Rule 100.2(a) for the purpose of determining margin rates;

(c) Notwithstanding the foregoing, if the market value of a long (or short) position in mortgage-backed securities equals or exceeds the remaining principal amount of such position and the mortgages underlying such mortgage-backed securities position are subject to being repaid with or without penalty in full at the option of the mortgagee prior

to maturity, the margin required shall be the greater of the margin as determined otherwise under Rule 100.2 for (i) the long (or short) position in mortgage-backed securities or (ii) the short (or long) position in bonds or debentures.

100.4E. Strip Coupons or Residuals

Government Debt

Where a Dealer Member or a customer holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued or guaranteed by either the Government of Canada or by a province of Canada and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

(a) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

(b) Margin required in respect of bonds or debentures issued or guaranteed by the Government of Canada may only be netted against the margin required for the stripped coupon or residual coupon of other Government of Canada instruments which mature within the same periods referred to in Rule 100.2(a) for the purpose of determining margin rates; and

(c) Margin required in respect of bonds or debentures issued or guaranteed by a province of Canada may only be netted against the margin required for the stripped coupon or residual portion of other province of Canada instruments which mature within the same periods referred to in Rule 100.2(a) for the purpose of determining margin rates.

Notwithstanding the foregoing provisions of this Rule 100.4E, where a Dealer Member or a customer holds:

(i) A short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long (or short) position in the stripped or residual portion of bonds or debentures issued or guaranteed by a province of Canada, or

(ii) A short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the stripped or residual portion of bonds or debentures issued or guaranteed by the Government of Canada,

The margin required shall be 50% of the total margin required for both positions otherwise determined under the Rules, provided that such margin may only be determined as aforesaid on the basis that:

(iii) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

(iv) Margin required in respect of bonds or debentures may only be netted against the margin required for the stripped coupon or residual coupon of instruments which

mature within the same periods referred to in Rule 100.2(a) for the purpose of determining margin rates.

(v) The bonds and debentures and the stripped coupon or residual coupon of such debt instruments are both denominated in Canadian dollars.

Foreign Currency Debt

Where a Dealer Member holds a short (or long) position in bonds or debentures referred to in Rule 100.2(a)(i) denominated in a currency other than Canadian dollars, and also holds a long (or short) position in the stripped or residual portion of such debt instruments denominated in the same currency, the margin shall be the excess of the margin required on the short (or long) position, over the margin required on the short (or long) position provided that the net margin may only be determined as aforesaid on the basis that:

(d) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and

(e) Margin in respect of bonds or debentures issued or guaranteed by a particular government may only be netted against the margin required for the stripped coupon or residual portion of debt instruments of the same government, which mature within the same periods referred to in Rule 100.2(a)(i) for the purpose of determining margin rates.

Corporate Debt

Where a Dealer Member holds a short (or long) position in bonds or debentures issued by a corporation with a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard and Poor's Bond Record, and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, the margin required shall be the greater of the margin required on the long (or short) position and the margin required on the short (or long) position, to a maximum 20% margin rate, provided that the margin may only be determined as aforesaid on the basis that:

(f) The offset is permitted only to the extent that the market value of the two positions is equal, and no offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position; and

(g) Margin required in respect of bonds or debentures issued by a corporation may only be offset against the margin required for the stripped coupon or residual portion of debt instruments of the same issuer, which mature within the same periods referred to in Rule 100.2(a)(xi) for the purpose of determining margin rates.

100.4F. Swap Positions Offset

For the purposes of this regulation, a “fixed interest rate” is an interest rate, which is not reset at least every 90 days, a “floating interest rate” is an interest rate, which is not a fixed interest rate and “realization clause” is an optional clause within a total performance swap agreement which allows the Dealer Member to close out the swap agreement at the realization price (either the buy-in or sell-out price) of the security position involved in the offset.

(a) Interest Rate Swap versus Interest Rate Swap Offset

Where a Dealer Member

(i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed (or floating) interest rate amounts calculated with reference to a notional amount;

and

(ii) is a party to another offsetting interest rate swap agreement entitling it to receive (or requiring it to pay) a fixed (or floating) interest rate amount calculated with reference to the same notional amount, denominated in the same currency and is within the same maturity band for margin purposes as the interest rate swap referred to in (i);

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on fixed interest rate component payment (or receipt) positions may only be offset against margin on fixed interest rate component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.

(b) Fixed Interest Rate Swap Component and Securities Position Offset

Where a Dealer Member

(i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed interest rate amounts calculated with reference to a notional amount;

and

(ii) holds a long (or short) position in securities described in Rule 100.2(a)(i) with a principal amount equal to and denominated in the same currency as the notional amount of the interest rate swap and with a term to maturity that is within the same maturity band for margin purposes as the interest rate swap;

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on fixed interest rate payment (or receipt) positions may only be offset against margin on fixed interest rate receipt (or payment) positions, and margin on floating interest rate payment (or receipt) positions may only be offset against margin on other floating interest rate receipt (or payment) positions

(c) Floating Interest Rate Swap Component and Securities Position Offset

Where a Dealer Member

(i) is a party to an interest rate swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar floating interest rate amounts calculated with reference to a notional amount;

and

(ii) holds a long (or short) position in securities described in Rules 100.2(a)(i) or 100.2(b), maturing within one year with a principal amount equal to and denominated in the same currency as the notional amount of the swap;

the margin required in respect of the positions in (i) and (ii) may be netted.

(d) Total Performance Swap versus Total Performance Swap Offset

Where a Dealer Member:

(i) is a party to a total performance swap agreement requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and

(ii) is a party to another total performance swap agreement entitling it to receive (or requiring it to pay) amounts calculated based on the performance of the same underlying security or basket of securities, with reference to the same notional amount and denominated in the same currency;

the margin required in respect of the positions in (i) and (ii) may be netted, provided that margin on performance component payment (or receipt) positions may only be offset against margin on performance component receipt (or payment) positions, and margin on floating interest rate component payment (or receipt) positions may only be offset against margin on other floating interest rate component receipt (or payment) positions.

(e) Total Performance Swap Component and Securities Position Offset

(i) Short Performance Swap Component and Long Underlying Security or Basket of Securities

Where a Dealer Member:

(A) is a party to a total performance swap agreement requiring it to pay amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and

(B) holds long an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the positions described in (A) and (B) shall be either:

(C) nil, where it can be demonstrated that sell-out risk relating to the offset has been mitigated:

(I) through the inclusion of a realization clause in the total performance swap agreement, which allows the Dealer Member to close out the swap agreement using the sell-out price(s) for the long position in the underlying security or basket of securities; or

(II) since, due to the features inherent in the long position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the long position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.

or;

(D) 20% of the normal capital required on the long position in the underlying security or basket of securities where sell-out risk relating to the offset has not been mitigated.

(ii) Long Performance Swap Component and Short Underlying Security or Basket of Securities

Where a Dealer Member:

(A) is a party to a total performance swap agreement entitling it to receive amounts calculated based on the performance of a stipulated underlying security or basket of securities, with reference to a notional amount;

and

(B) holds short an equivalent quantity of the same underlying security or basket of securities;

the capital required in respect of the positions described in (A) and (B) shall be:

(C) nil, where it can be demonstrated that buy-in risk relating to the offset has been mitigated:

(I) through the inclusion of a realization clause in the total performance swap agreement, which allows the Dealer Member to close out the swap agreement using the buy-in price(s) for the short position in the underlying security or basket of securities; or

(II) since, due to the features inherent in the short position in the underlying security or basket of securities or the market on which the security or basket of securities trades, the realization value of the short position in the underlying security or basket of securities is determinable at the time the total performance swap agreement is to expire and this value will be used as the closeout price for the swap.

or;

(D) 20% of the normal capital required on the short position in the underlying security or basket of securities where buy-in risk relating to the offset has not been mitigated.

100.4G. Margin Offset for Capital Shares

(a) For the purposes of this Rule 100.4G:

(i) the term “capital share” means a share issued by a split share company which represents all or the substantial portion of the capital appreciation portion of the underlying common share(s);

(ii) the term “capital share conversion loss” means any excess of the market value of the capital shares over the retraction value of the capital shares;

(iii) the term “combined conversion loss” means any excess of the combined market value of the capital and preferred shares over the combined retraction value of the capital and preferred shares;

(iv) the term “preferred share” means a share issued by a split share company which represents all or the substantial portion of the dividend portion of the underlying common share(s), and includes equity dividend shares of split share companies;

(v) the term “retraction value” means:

(A) for capital shares:

(I) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place.

(II) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place.

(B) for capital shares and preferred shares in combination:

(I) where the capital shares and preferred shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the market value of the underlying common shares received.

(II) where the capital shares and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, the retraction cash payment to be received when retraction of the capital and preferred shares takes place.

(vi) the term "split share company" means a corporation formed for the sole purpose of acquiring underlying common shares and issuing its own capital shares based on all or the substantial portion of the capital appreciation portion and its own preferred shares based on all or the substantial portion of the dividend income portion of such underlying common shares.

(b) Long capital shares and short common shares

Where capital shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) the sum of:

(I) the capital share conversion loss, if any; and

(II) the normal capital required (credit required in the case of customer account positions) on the equivalent number of preferred shares;

and;

(B) the normal capital required (credit required in the case of customer account positions) on the underlying common shares;

and;

(ii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder,

20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

(c) Long capital shares, long preferred shares and short common shares

Where both capital shares and an equivalent number of preferred shares are carried long in an account and the account is also short an equivalent number of common shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) combined conversion loss, if any; and

(B) the normal capital required (margin required in the case of customer account positions) on the underlying common shares;
and;

(ii) where the capital and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common share at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

(d) Long capital shares and short call option contracts

Where capital shares are carried long in an account and the account is also short an equivalent number of call option contracts expiring on or before the redemption date of the capital shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) the normal capital required (credit required in the case of customer account positions) on the capital shares less, if any, the market value of the premium credit on the short call option, but cannot reduce the capital required to less than zero; and

(B) any excess of the market value of the underlying common shares over the aggregate exercise value of the Call Options;

and

(ii) the capital share conversion loss, if any; and

(iii) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

(e) Long common shares and short capital shares

Where common shares are carried long in an account and the account is also short an equivalent number of capital shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) the sum of:

(I) the capital share conversion loss, if any; and

(II) the normal capital required (margin required in the case of customer account positions) on the equivalent number of preferred shares; and

(B) the normal capital required (margin required in the case of customer account positions) on the underlying common shares."

and;

(ii) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

(f) Long common shares, short capital shares and short preferred shares

Where common shares are carried long in an account and the account is also short both an equivalent number of capital shares and an equivalent number of preferred shares, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the lesser of:

(A) combined conversion loss, if any; and

(B) the normal capital required (margin required in the case of customer account positions) on the underlying common shares;

and;

(ii) where the capital and preferred shares cannot be tendered to the split share company for retraction directly for the underlying common share at the option of the holder, 40% of the normal capital required (margin required in the case of customer account positions) on the underlying common shares.

100.4H.Convertible Securities

(a) For the purposes of this Rule 100.4H:

(i) "conversion loss" means any excess of the market value of the convertible securities over the market value of the equivalent number of underlying securities.

(ii) "convertible security" means a convertible security, exchangeable security or any other security that entitles the holder to acquire another security, the underlying security, upon exercising a conversion or exchange feature.

(iii) a security that is "currently convertible" means a security that is either:

(A) convertible into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received; or

(B) convertible into another security, the underlying security, after the expiry of a specific period, and the Dealer Member or customer has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the Dealer Member or customer to borrow the underlying securities for the entire period from the current date until the expiry of the specific period until conversion.

(iv) "underlying security" means the security, which is received upon exercising the conversion or exchange feature of a convertible security.

(b) Long convertible securities considered "currently convertible" and short underlying securities

Where convertible securities are held long in an account and such securities are currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the conversion loss, if any; and

(ii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(c) Long convertible securities not considered "currently convertible" and short underlying securities

Where convertible securities are held long in an account and such securities are not currently convertible and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the conversion loss, if any; and

(ii) 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities, to cover the sell-out risk associated with holding convertible securities not considered to be "currently convertible"; and

(iii) where the convertible security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(d) Short convertible securities and long underlying securities

Where convertible securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) the conversion loss, if any; and

(ii) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(e) Long "Oldco securities" and short "Newco securities" relating to an amalgamation, acquisition, spin-off or any other securities related reorganization transaction

(i) For the purposes of this paragraph 100.4H(e):

(A) "Newco securities" means securities of a successor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction.

(B) "Oldco securities" means securities of a predecessor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction.

(ii) Where, pursuant to a securities related reorganization involving predecessor and successor issuers, Oldco securities are held long in an account, the account is also short an equivalent number of Newco securities, and the conditions set out in paragraph 100.4H(e)(iii) are met, the capital and margin requirements for Dealer Member firm and customer accounts shall be the excess of the combined market value of the Oldco securities over the combined market value of the Newco securities, if any.

(iii) The offset described in paragraph 100.4H(e)(ii) may be taken where all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the merger, acquisition, spin-off or other security related reorganization have been received and where the Oldco securities will be cancelled and replaced by an equivalent number of Newco securities within 20 business days.

100.4I. Warrants, Rights, Instalment Receipts, etc.

(a) For the purposes of this Rule 100.4I:

(i) "exercise loss" means any excess of combined sum of the market value of the exercisable securities and the exercise or subscription payment, over the market value of the equivalent number of underlying securities.

(ii) "exercisable security" means a warrant, right, installment receipt or any other security that entitles the holder to acquire another security, the underlying security, upon making an exercise or subscription payment.

(iii) a security that is "currently exercisable" means a security that is either:

(A) exercisable into another security, the underlying security, either currently or within 20 business days, provided all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with exercising have been received; or

(B) exercisable into another security, the underlying security, on a future date, and the Dealer Member or customer has entered into a term securities borrowing agreement. The agreement must be a written, legally enforceable agreement enabling the Dealer Member or customer to borrow the underlying securities for the entire period from the current date until the exercise or subscription date.

(iv) "underlying security" means the security, which is received upon invoking the exercise feature of an exercisable security.

(b) Long exercisable securities considered "currently exercisable" and short underlying securities

Where exercisable securities are held long in an account and such securities are currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) in the case of customer account positions, the amount of the exercise or subscription payment; and

(ii) the exercise loss, if any; and

(iii) where the exercisable security cannot be exercised directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(c) Long exercisable securities not considered "currently exercisable" and short underlying securities

Where exercisable securities are held long in an account and such securities are not currently exercisable and the account is also short an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) in the case of customer account positions, the amount of the exercise or subscription payment; and

(ii) the exercise loss, if any; and

(iii) 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities, to cover the sell-out risk associated with holding exercisable securities not considered to be "currently exercisable"; and

(iv) where the exercisable security cannot be converted directly into the underlying security, at the option of the holder, 20% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

(d) Short exercisable securities and long underlying securities

Where exercisable securities are held short in an account and the account is also long an equivalent number of underlying securities, the capital and margin requirements, for Dealer Member firm and customer account positions respectively, shall be equal to the sum of:

(i) in the case of customer account positions, the amount of the exercise or subscription payment; and

(ii) the exercise loss, if any; and

(iii) 40% of the normal capital required (margin required in the case of customer account positions) on the underlying securities.

100.4J Repealed.

100.4K. Government of Canada Bond Futures Contracts and Security Combinations

Where a Dealer Member or a customer holds offset positions in Government of Canada notional bond futures contracts (including future purchase and sale commitments) and securities, described in paragraphs (a) to (e), the margin requirement for both positions shall be as follows:

(a) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(i) Canada only and of same maturity band, the two positions may be offset and the required margin computed in respect to the net long or net short position only.

(b) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(i) Canada only of different maturity bands, the two positions may be offset and the required margin shall be the 50% of the greater of the margin required on the long or short position.

(c) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(ii) or Province of Canada only maturing within the same or different maturity bands, the margin requirement in respect of both positions shall be 50% of the greater of the margin required on the long or short position.

(d) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(iii) Canada Municipal only maturing within the same maturity band, the margin requirement in respect of both positions shall be 50% of the greater of the margin required on the long or short position.

(e) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Rule 100.2(a)(v) Corporate maturing within the same maturity band, the margin requirement in respect of both positions shall be the greater of the margin required on the long or short position.

provided the foregoing offset may only be determined on the basis that:

i) securities in offsetting positions must be denominated in the same currency;

ii) securities described in Rule 100.2(a)(iii) Canada Municipal will only be eligible for offset if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;

iii) securities described in Rule 100.2(a)(iv) Corporate will only be eligible for offset if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record; and

iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.

100.5. Underwriting

(a) In this Rule 100.5 the expression:

(i) "appropriate documentation" with respect to the portion of the underwriting commitment where expressions of interest have been received from exempt purchasers means, at a minimum:

(A) that the lead manager has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:

(I) the name of the exempt purchaser;

(II) the name of the employee of the exempt purchaser accepting the amount allocated; and

(III) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser, time stamped to indicate date and time of affirmation

and;

(B) that the lead manager has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to Rule 100.5(a)(i)(A) so that all banking group

participants may take advantage of the reduction in the capital requirement.

Under no circumstances may the lead manager reduce its own capital requirement on an underwriting commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.

(ii) a "commitment" pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:

(A) issue price;

(B) number of shares;

(C) commitment amount [issue price x number of shares].

(iii) "disaster out clause" means a provision in an underwriting agreement substantially in the following form:

> "The obligations of the Underwriter (or any of them) to purchase (the Securities) under this agreement may be terminated by the Underwriter (or any of them) at its option by written notice to that effect to the Company at any time prior to the Closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriter seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Company and its subsidiaries taken as a whole."

(iv) "market out clause" means a provision in an underwriting agreement which permits an underwriter to terminate its commitment to purchase in the event of unsalability due to market conditions, substantially in the following form:

> "If, after the date hereof and prior to the Time of Closing, the state of financial markets in Canada or elsewhere where it is planned to market the Securities is such that, in the reasonable opinion of the Underwriters (or any of them), the Securities cannot be marketed profitably, any Underwriter shall be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the Company at or prior to the Time of Closing."

(v) "new issue letter" means an underwriting loan facility in a form satisfactory to the Corporation. Where the provider of the new issue letter is other than an acceptable institution, the funds that can be drawn pursuant to the letter must either be fully collateralized by high grade securities or held in escrow with an acceptable institution.

Under the terms of the new issue letter, the letter issuer will:

(A) provide an irrevocable commitment to advance funds based only on the strength of the new issue and the Dealer Member firm;

(B) advance funds to the Dealer Member firm for any portion of the commitment not sold:

(I) for an amount based on a stated loan value rate;

(II) at a stated interest rate; and

(III) for a stated period of time.

and;

(C) under no circumstances, in the event that the Dealer Member firm is unable to repay the loan at the termination date, resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:

(I) collateral held by the letter issuer for any other obligations of the Dealer Member firm or the firm's customers;

(II) cash on deposit with the letter issuer for any purpose whatsoever; or

(III) securities or other assets held in a custodial capacity by the letter issuer for the Dealer Member firm either for the firm's own account or for the firm's customers.

in order to recover the loss or potential loss.

(vi) "normal margin" means margin otherwise required by the Rules.

(vii) "normal new issue margin" means:

(A) where the market value of the security is $2.00 per share or more and the security qualifies for a reduced margin rate pursuant to Rule 100.12(a), 60% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on;

(B) where the market value of the security is $2.00 per share or more and the security does not qualify for a reduced margin rate pursuant to Rule 100.12(a), 80% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on; or

(C) where the market value of the security is less than $2.00 per share, 100% of normal margin.

(b) Where a Dealer Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities, the following margin rates are hereby prescribed:

Without New Issue Letter *With new issue letter*

(1) Underwriting agreement does not include market out clause or disaster out clause	Normal new issue margin required from the date of commitment.	10% of normal new issue margin from the date of the letter to the business day prior to settlement date or when the new issue letter expires, whichever is earlier; 10% of normal new issue margin from settlement date to 5 business days after settlement date or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 25% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 50% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; 75% of normal new issue margin for the next succeeding 5 business days or when the new issue letter expires, whichever is earlier, where the new issue letter has been drawn; Otherwise, normal new issue margin required.
(2) Underwriting agreement includes disaster out clause	50% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.	10% of normal new issue margin from the date of the commitment until settlement date or the expiry of the disaster out clause, whichever is earlier; margin required as in (1) above thereafter.
(3) Underwriting agreement includes market out clause	10% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.	5% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) above thereafter.

(4) Underwriting agreement includes disaster out clause and market out clause	10% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.	5% of normal new issue margin required from the date of commitment until settlement date or the expiry of the market out clause, whichever is earlier; margin required as in (1) (2) and (3) above thereafter.

If the margin rates prescribed above in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer shall be applied.

(c) Where a Dealer Member has a commitment pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities and the Dealer Member has determined through obtaining appropriate documentation:

(i) that the allocation between retail and exempt purchasers has been finalized;

(ii) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed;

(iii) that here is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers; and

(iv) that the Dealer Member is not significantly leveraging its underwriting activities through the use of the capital requirement reduction provided on that portion of the underwriting commitment where expressions of interest have been received from exempt purchasers.

the following margin rates are hereby prescribed for the portion of the commitment allocated to exempt purchasers:

	Without New Issue Letter	*With new issue letter*
(1) Underwriting agreement does not include market out clause or disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted: 20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares); 40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than	As in (b) above

		90% of new issue value; Otherwise normal new issue margin is required.	
(2)	Underwriting agreement includes disaster out clause	From the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted: 20% of normal new issue margin is required, provided the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares); 40% of normal new issue margin is required, provided the current market value of the commitment is at or above 80% of new issue value (80% x issue price x number of shares) but less than 90% of new issue value; Otherwise normal new issue margin is required.	As in (b) above
(3)	Underwriting agreement includes market out clause	As in (b) above	As in (b) above
(4)	Underwriting agreement includes disaster out clause and market out clause	As in (b) above	As in (b) above

(d) Where:

(i) the normal new issue margin required on any one commitment is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and;

(ii) the margin required in respect of such commitment (in the case of (d)(i)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2),

(3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 40% of such Dealer Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) or (c) above on the individual underwriting position to which such excess relates.

(e) Where:

(i) the normal new issue margin required on some or all commitments is reduced due to either:

(A) the use of a new issue letter in accordance with (b) above; or

(B) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with (c) above.

and

(ii) the aggregate margin required in respect of such commitments (in the case of (d)(i)(A) where a new issue letter is undrawn), determined in accordance with (b)(1), (2), (3) or (4) or (c)(1), (2), (3) or (4) as applicable and as if the margin reduction set out in (d)(i)(A) or (d)(i)(B) were not available, exceeds 100% of such Dealer Member's net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by (b) and (c) above on individual underwriting positions and by the amount required to be deducted from risk adjusted capital pursuant to (d) above.

(f) In determining the amount of a Dealer Member's commitment pursuant to an underwriting agreement or banking group agreement for the purposes of clauses (b), (c), (d) and (e) above, receivables from members of the banking or selling groups in respect of firm obligations to take down a portion of a new issue of securities (i.e. not after-market trading) may be deducted from the liability of the Dealer Member to the issuer.

(g) Margining of private placements of restricted equity securities during the distribution period

For a private placement of a equity security subject to a four-month trading restriction (issued pursuant to National Instrument 45-102 or a similar provincial securities legislation exemption), the margin rate to be used during the distribution period shall be the greater of:

(i) The margin rate that would be otherwise applicable to the security if the restriction were not present, subject to the margin rate reductions available in this Rule 100.5; and

(ii)

(a) where it is five business days or less subsequent to the offering commitment date, 25%;

(b) where it is greater than five business days subsequent to the offering commitment date, 50%.

The margin rate to be used commencing on the offering settlement date shall be 100%.

100.6. Rights Offerings

Where an underwriter has a standby commitment to purchase securities in connection with a rights offering such commitment shall be margined at the following rates:

(a) If the market value of the security (the "security") which can be acquired pursuant to the exercise of the rights is below the subscription price, the underwriter's commitment shall be valued at the current market price for the security and the margin rates applicable to the security under Rule 100.2;

(b) If the market value of the security is equal to or greater than the subscription price the commitment shall be margined at rates calculated on the subscription price, equal to the following percentages of the margin rate applicable to the security under Rule 100.2:

50% where market value is 100% to 105% of the subscription price;

30% where market value is more than 105% but not more than 110% of the subscription price;

10% where market value is more than 110% but not more than 125% of the subscription price; and

no margin required where market value is more than 125% of the subscription price.

100.7. Control Blocks

Any security which is part of a control block shall not be acceptable for margin purposes except to the extent that Rule 100.5 is applicable in which case the margin rates therein shall apply. Under this Rule 100.7, a control block means the holdings of any person, company or combination of persons or companies holding a sufficient number of any securities of an issuer to affect materially the control of that issuer, but any holding of any person, company or combination of persons or companies holding more than 20% of the outstanding voting securities of an issuer shall, in the absence of evidence to the contrary, be deemed to affect materially the control of that issuer.

100.8. Commodity Futures Contracts and Futures Contract Options

"Commodity" and "Futures Contract" have the meanings given to such terms under Rule 1800.1 and "Commodity Contract" means a contract as defined under that Rule.

Commodity futures contracts and futures contract options (other than purchases of futures contract options which shall be for cash) shall be margined as follows:

(a) Positions of Dealer Members and customers shall be marked to market and margined daily at the greatest of:

(i) The rate required by the commodity futures exchange on which the contract is entered into or its clearing house; or

(ii) The rate required by the Dealer Member's clearing broker;

Provided that where a Dealer Member or a customer owns a commodity and such ownership is evidenced by warehouse receipts or comparable documentation and such Dealer Member or customer also has a short position in commodity futures contracts in the same commodity, the two positions may be offset and the required margin shall be computed with respect to the net long or net short position only.

(b) In the case of a commodity futures exchange or its clearing house that prescribes margin requirements based on initial and maintenance rates, initial margin shall be required at the time the contract is entered into in an amount not less than the prescribed initial rate.

When subsequent adverse price movements in the value of the contracts reduce the margin on deposit to an amount below the maintenance level, a further amount to restore the margin on deposit to the initial rate shall be required. The Dealer Member may, in addition, require such further margin or deposit against liability as it may consider necessary as a result of fluctuations in market prices from time to time.

(c) Every Dealer Member shall require from each of its customers for whom trades are effected through an omnibus account not less than the amount of margin that would be required from such customers if their trades were effected through fully disclosed accounts.

(d) Spread margins may be applicable to an account whenever the account is in a spread position. Every Dealer Member shall designate such spread positions on its margin records.

(e) Where a Dealer Member's account holds inter-commodity spreads in Government of Canada bond futures contracts and U.S. treasury bond futures contracts traded on recognized exchanges, the margin requirement shall be greater of the margin required on either the long side or the short side only. For this purpose, the foregoing spreads shall be on the basis of $1.00 Canadian for each $1.00 U.S. of the contract size of the relevant futures contracts. With respect to the United States side of the above inter-commodity spreads, such positions must be maintained on a contract market as designated pursuant to the United States Commodity Exchange Act.

(f) Notwithstanding any other provision of the Rules, the Corporation may prescribe with respect to any particular or kind of person or account greater or lesser margin requirements than those prescribed or referred to in this Rule 100.8.

100.9. Customer positions in options, futures and other equity-related derivatives

(a) For the purposes of this Rule 100.9:

(i) the term "aggregate current value" means, in the case of index options, the level of the index at any given time multiplied by $1.00 and then multiplied by the unit of trading.

(ii) the term "aggregate exercise value" means the exercise price of an option multiplied by the unit of trading.

(iii) the term "call option" means an option:

(A) for equity, participation unit, and bond options, which gives the holder the right to buy and the writer the obligation to sell the underlying interest at a stated exercise price either on or before the expiration date of the option;

(B) for index options, which gives the holder the right to receive and the writer the obligation to pay, if the current value of the index rises above the exercise price, the difference between the aggregate exercise price and the aggregate current value of the underlying interest either on or before the expiration date of the option; or

(C) for OCC options, which gives the holder the right to buy and the writer the obligation to sell the underlying interest at a stated exercise price either on or before the expiration date of the OCC option.

(D) for CDCC currency options, which gives the holder the right to buy and the writer the obligation to sell the underlying interest at a stated exercise price either on or before the expiration date of the CDCC option.

(iv) the term "class of options" means all options of the same type covering the same underlying interest.

(v) the term "clearing corporation" means, in respect of an option, the clearing corporation or other organization which is the issuer of the option.

(vi) the term "customer account" means an account for a customer of a Dealer Member, but does not include an account in which a member of a self-regulatory organization, or an affiliate, approved person or employee of such a Dealer Member, member or affiliate, as the case may be, has a direct or indirect interest, other than an interest in a commission charged.

(vii) the term "escrow receipt" means:

(A) in the case of an equity, a participation unit or a bond option, a document issued by a financial institution approved by Canadian Derivatives Clearing Corporation certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified option of a particular customer of a Dealer Member; or

(B) in the case of an OCC option, a document issued by a depository approved by the clearing corporation, after executing and delivering agreements required by The Options Clearing Corporation, certifying that a security is held and will be delivered upon exercise by such financial institution in respect of a specified OCC option of a particular customer of a Dealer Member.

(viii) the term "exercise price" in respect of an option means:

(A) in the case of an equity, a participation unit, a currency or a bond option, the specified price per unit at which the underlying interest may be received in the case of a call option, or delivered, in the case of a put option;

(B) in the case of index options, the specified price per unit, which may be received by the holder and paid by the writer in the case of a call option or a put option; or

(C) in the case of an OCC option, the specified price per unit at which the underlying interest may be received in the case of a call option, or delivered, in the case of a put option;

upon exercise of the option.

(ix) the term "firm account" means an account established by a Dealer Member, which is confined to positions carried by the Dealer Member on its own behalf.

(x) the term "floating margin rate" means:

(A) the last calculated regulatory margin interval, effective for the regular reset period or until a violation occurs, such rate to be reset on the regular reset date, to the calculated regulatory margin interval determined at that date; or

(B) where a violation has occurred, the last calculated regulatory margin interval determined at the date of the violation, effective for a minimum of twenty trading days, such rate to be reset at the close of the twentieth trading day, to the calculated regulatory margin interval determined at that date, where a reset results in a lower margin rate.

For the purposes of this definition, the term "regular reset date" is the date subsequent to the last reset date where the maximum number of trading days in the regular reset period has passed.

For the purposes of this definition, the term "regular reset period" is the normal period between margin rate resets. This period shall be determined by the Canadian self-regulatory organizations with member regulation responsibilities and shall be no longer than 60 trading days.

For the purposes of this definition, the term "regulatory margin interval", when calculated, means the product of:

(C) the maximum standard deviation of percentage changes in daily closing prices over the most recent 20, 90 and 260 trading days; and

(D) 3 (for a 99% confidence interval); and

(E) the square root of 2 (for two days coverage);

rounded up to the next quarter percent.

For the purposes of this definition, the term "violation" means the circumstance where the maximum 1 or 2 day percentage change in the daily closing prices is greater than the margin rate.

(xi) the term "incremental basket margin rate" means for a qualifying basket of index securities:

(A) 100% less the cumulative relative weight percentage (determined by calculating for each security the actual basket weighting in relation to the latest published relative weighting in the index and then determining an overall relative weight percentage) for the qualifying basket of index securities, multiplied by

(B) the weighted average margin rate for those equity securities comprising the basket for which the actual weighting is less than the latest published relative weight for the index (weighted by the percentage weighting deficiency for each security (i.e., the published relative weighting minus the actual weighting, if applicable)).

(xii) the term "index" means an equity index where:

(A) the basket of equity securities underlying the index is comprised of eight or more securities;

(B) the single largest security position by weighting comprises no more than 35% of the overall market value of the basket;

(C) the average market capitalization for each security position in the basket of equity securities underlying the index is at least $50 million; and

(D) in the case of foreign equity indices, the index is both listed and traded on an exchange that meets the criteria for being considered a recognized

exchange, as set out in the definition of "regulated entities" included in the General Notes and Definitions to Form 1.

(xiii) the term "index option" means an option whose underlying interest is an index.

(xiv) the term "in-the-money" means:

(A) in the case of an equity, a participation unit, a currency or a bond option, that the market price;

(B) in the case of an index option, that the current value; or

(C) in the case of an OCC option, that the market price or the current value;

of the underlying interest is above the exercise price in the case of a call option, and below the exercise price in the case of a put option.

(xv) the term "market maker account" means a firm account of a clearing member that is confined to transactions initiated by a market maker.

(xvi) the term "non-customer account" means an account established with an Dealer Member by another member of a self-regulatory organization, or affiliate, approved person or employee of a Dealer Member, member or affiliate, as the case may be, in which the Dealer Member does not have an interest, direct or indirect, other than an interest in fees or commissions charged.

(xvii) the term "OCC option" means a call option or a put option issued by The Options Clearing Corporation.

(xviii) the term "option" means a call option or put option issued by the Canadian Derivatives Clearing Corporation pursuant to its rules.

(xix) the term "out-of-the-money" means:

(A) in the case of an equity, a participation unit, a currency or a bond option, that the market price;

(B) in the case of an index option, that the current value; or

(C) in the case of an OCC option, that the market price or the current value;

of the underlying interest is below the exercise price in the case of a call option, and above the exercise price in the case of a put option.

(xx) the term "participation unit" means an interest in a trust, the underlying assets of which are equities and/or other securities.

(xxi) the term "participation unit option" means an option whose underlying interest is a participation unit.

(xxii) the term "premium" means the aggregate price, excluding commissions and other fees, that the buyer of an option pays and the writer of an option receives for the rights conveyed by the option contract.

(xxiii) the term "put option" means, an option:

(A) for an equity, a participation unit or a bond option, which gives the holder the right to sell and the writer the obligation to buy the underlying interest at a stated exercise price either on or before the expiration date of the option;

(B) for index options, which gives the holder the right to receive and the writer the obligation to pay, if the current value of the index falls below the exercise price, the difference between the aggregate exercise price and the aggregate current value of the underlying interest either on or before the expiration date of the option; or

(C) for OCC options, which gives the holder the right to sell and the writer the obligation to buy the underlying interest at a stated exercise price either on or before the expiration date of the OCC option.

(D) for CDCC currency options, which gives the holder the right to sell and the writer the obligation to buy the underlying interest at a stated exercise price either on or before the expiration date of the CDCC option.

(xxiv) the term "qualifying basket of index securities" means a basket of equity securities:

(A) all of which are included in the composition of the same index;

(B) which comprise a portfolio with a market value equal to the market value of the securities underlying the index;

(C) where the market value of each of the equity securities comprising the portfolio proportionally equals or exceeds the market value of its relative weight in the index, based on the latest published relative weights of securities comprising the index;

(D) where the required cumulative relative weighting percentage of all equity securities comprising the portfolio:

(I) equals 100% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of less than twenty securities;

(II) equals or exceeds 90% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of twenty or more securities but less than one hundred securities; and

(III) equals or exceeds 80% of the cumulative weighting of the corresponding index, where the basket of equity securities underlying the index is comprised of one hundred or more securities;

based on the latest published relative weightings of the equity securities comprising the index.

(E) where, in the circumstance where the cumulative relative weighting of all equity securities comprising the portfolio equals or exceeds the required cumulative relative weighting percentage and is less than 100% of the cumulative weighting of the corresponding index, the deficiency in the basket is filled by other equity securities included in the composition of the index.

(xxv) the term "time value" means any excess of the market value of the option over the in-the-money value of the option.

(xxvi) the term “tracking error margin rate” means the last calculated regulatory margin interval for the tracking error resulting from a particular offset strategy. The method of calculation and the margin rate reset policy is the same as that used for the floating margin rate.

(xxvii) the term “underlying interest” means,

(A) in the case of an equity, a participation unit or a bond option, the security;

(B) in the case of an index option, the index;

(C) in the case of an OCC option in a currency, the currency;

(D) in the case of an OCC option in debt, the debt;

(E) in the case of an OCC option in an index, the index;

(F) in the case of any other OCC option, the security;

(G) in the case of a CDCC currency option, the currency;

which is the subject of the option.

(xxviii) the term “unit of trading” means the number of units of the underlying interest which have been designated by the exchange as the minimum number or value to be the subject of a single option in a series of options. In the absence of any such designation, for a series of options:

(A) in which the underlying interest is an equity, the unit of trading shall be 100 shares;

(B) in which the underlying interest is an index, the unit of trading shall be 100 units;

(C) in which the underlying interest is a bond, the unit of trading shall be 250 units;

(D) in which the underlying interest is a participation unit, the unit of trading shall be 100 units.

(b) Exchange traded options – general margin requirements

The minimum amount of margin which must be obtained in margin accounts of customers having positions in options shall be as follows:

(i) All opening writing transactions and resulting short positions must be carried in a margin account.

(ii) Each option shall be margined separately and:

(A) in the case of equity, currency or participation unit options, any difference between the market price of the underlying interest; or

(B) in the case of index options, any difference between the current value of the index,

and the exercise price of the option shall be considered to be of value only in providing the amount of margin required on that particular option.

(iii) Where a customer account holds both options and OCC options that have the same underlying interest, the OCC options may be considered to be options for

the purposes of the calculation of the margin requirements for the account under this Rule 100.9.

(iv) For CDCC currency options, the normal margin required for the underlying interest shall be a percentage of the market value of the underlying interest determined using the Corporation's published spot risk margin rate for the currency.

(v) From time to time the Corporation may impose special margin requirements with respect to particular options or particular positions in options.

(c) Long option positions

(i) Subject to sub-paragraph (ii), the margin requirement for long options shall be the sum of:

(A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

(B) the lesser of:

(I) the normal margin required for the underlying interest; and

(II) the option's in-the-money amount, if any.

(ii) Where in the case of equity options, the underlying interest in respect of a long call option is the subject of a legal and binding cash take-over bid for which all conditions have been met, the margin required on such call option shall be the market value of the call option less the amount by which the amount offered exceeds the exercise price of the call option. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the margin requirement shall be applied pro rata in the same proportion as the offer and paragraph (c)(i) shall apply to the balance.

(d) Short option positions

(i) The minimum credit requirement which must be maintained in respect of an option carried short in a customer account shall be:

(A) 100% of the current market value of the option; plus

(B) a percentage of the market value of the underlying interest determined using the following percentages:

(I) For equity options or equity participation unit options, the margin rate used for the underlying interest;

(II) For index options or index participation unit options, the published floating margin rate for the index or index participation unit;

(III) For CDCC currency options, the Corporation's published spot risk margin rate for the currency;

minus

(C) any out-of-the-money amount associated with the option.

(ii) Paragraph (d)(i) notwithstanding, the minimum credit requirement which must be maintained and carried in a customer account trading in options shall be not less than:

(A) 100% of the current market value of the option; plus

(B) an additional requirement determined by multiplying:

(I) In the case of a short call option position, the market value of the underlying interest; or

(II) In the case of a short put option position, the aggregate exercise value of the option;

by one of the following percentages:

(III) For equity options or equity participation unit options, 5.00%; or

(IV) For index options or index participation unit options, 2.00%; or

(V) For CDCC currency options, 0.75%.

(e) Covered option positions

(i) No margin shall be required for a call option carried short in a customer's account which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such options shall not be deemed to have any value for margin purposes.

Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Corporation. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation.

(ii) No margin shall be required for a put option carried short in a customer's account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the client. The acceptable government securities held on deposit:

(A) shall be government securities:

(I) which are acceptable forms of margin for the clearing corporation; and

(II) which mature within one year of their deposit; and

(B) shall not be deemed to have any value for margin purposes.

The aggregate exercise value of the short put option shall not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Corporation on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation.

(iii) No margin shall be required for a put option carried short in a customer's account if the customer has delivered to the Dealer Member with which such position is maintained a letter of guarantee, issued by a financial institution which has been

authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Corporation, and is:

(A) a bank which is a Canadian chartered bank or a Quebec savings bank; or

(B) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;

provided that the letter of guarantee certifies that the bank or trust company

(C) holds on deposit for the account of the customer cash in the full amount of the aggregate exercise value of the put option and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put option; or

(D) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest covered by the put option;

and further provided that the Dealer Member has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

(f) Option spreads and combinations

(i) Call spreads and put spreads

Where a customer account contains one of the following spread pairings for an equivalent number of trading units on the same underlying interest:

- long call option and short call option; or
- long put option and short put option;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing shall be the lesser of:

(A) the margin required on the short option pursuant to sub-paragraphs 100.9(d)(i) and (ii); or

(B) the spread loss amount, if any, that would result if both options were exercised.

(ii) Short call – short put spreads

Where a call option is carried short for a customer's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum margin required shall be the greater of:

(A) the greater of:

(I) the margin required on the call option position; or

(II) the margin required on the put option position;

and

(B) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.

(iii) Long call – long put

Where a call option is carried long for a customer's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum margin required shall be the lesser of:

(A) the sum of:

(I) the margin required for the long call option position; and

(II) the margin required for the long put option position;

or

(B) the sum of:

(I) 100% of the market value of the long call option; and

(II) 100% of the market value of the long put option; minus

(III) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.

(iv) Long call – short call – long put

Where a call option is carried long for a customer's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying interest, the minimum margin required shall be:

(A) 100% of the market value of the long call option; plus

(B) 100% of the market value of the long put option; minus

(C) 100% of the market value of the short call option; plus

(D) the greater of:

(I) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; and

(II) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.

Where the amount calculated in (D) is negative, this amount may be applied against the margin charge.

(v) Short call – long warrant

Where a call option is carried short for a customer's account and the account is also long a warrant on the same number of units of trading on the same underlying interest, the minimum margin required shall be the sum of:

(A) the lesser of:

(I) the margin required for the call option pursuant to sub-paragraph 100.09(d)(i)(B); or

(II) the spread loss amount, if any, that would result if both the option and the warrant were exercised;

and

(B) the excess of the market value of the warrant over the in-the-money value of the warrant multiplied by 25%; and

(C) the in-the-money value of the warrant, multiplied by:

(I) 50%, where the expiration date of the warrant is 9 months or more away, or

(II) 100%, where the expiration date of the warrant is fewer than 9 months away.

The market value of any premium credit carried on the short call option may be used to reduce the margin required on the long warrants, but cannot reduce the margin required to less than zero.

(vi) Box spread

Where a customer account contains a box spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum margin required shall be the lesser of:

(I) the greater of the margin requirements calculated for the component call and put spreads (Rule 100.9(f)(i)); and

(II) the greater of the out-of-the-money amounts calculated for the component call and put spreads.

(vii) Long butterfly spread

Where a customer account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, and the interval between the strike prices is equal, the minimum margin required shall be the net market value of the short and long call options (or put options).

(viii) Short butterfly spread

Where a customer account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, and the interval between the strike prices is equal, the minimum margin required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the margin required.

(ix) Long Condor Spread

Where a customer account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or

long put option) having a lower and higher strike price respectively, the minimum margin required shall be the net market value of the short and long call options (or put options).

(x) Short Iron Butterfly Spread

Where a customer account contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum margin required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.

(xi) Short Iron Condor Spread

Where a customer account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum margin required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.

(g) Option and security combinations

(i) Short call – long underlying (or convertible) combination

Where, in the case of equity, currency or equity participation unit options, a call option is carried short in a customer's account and the account is also long an equivalent position in the underlying interest or, in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time shall be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum margin required shall be the sum of:

(A) the lesser of:

(I) the normal margin required on the underlying interest; and

(II) any excess of the aggregate exercise value of the call options over the normal loan value of the underlying interest;

and

(B) where a convertible security or exchangeable security is held, the amount of the conversion loss as defined in Rule 100.4H.

In the case of exchangeable or convertible securities, the right to exchange or convert the long security shall not expire prior to the expiration date of the short call option. If the expiration of the right to

exchange or convert is accelerated (whether by reason of redemption or otherwise), then such short call option shall be considered uncovered after the date on which such right to exchange or convert expires.

(ii) Short put – short underlying combination

Where, in the case of equity or equity participation unit options, a put option is carried short in a customer's account and the account is also short an equivalent position in the underlying interest, the minimum margin required shall be the lesser of:

(A) the normal margin required on the underlying interest; and

(B) any excess of the normal credit required on the underlying interest over the aggregate exercise value of the put options.

(iii) Long call – short underlying combination

Where, in the case of equity, currency or equity participation unit options, a call option is carried long in a customer's account and the account is also short an equivalent position in the underlying interest, the minimum credit required shall be the sum of:

(A) 100% of the market value of the call option; and

(B) the lesser of:

(I) the aggregate exercise value of the call option; and

(II) the normal credit required on the underlying interest.

(iv) Long put – long underlying combination

Where, in the case of equity, currency or equity participation unit options, a put option is carried long in a customer's account and the account is also long an equivalent position in the underlying interest, the minimum margin required shall be the lesser of:

(A) the normal margin required on the underlying interest; and

(B) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.

(v) Conversion or long tripo combination

Where, in the case of equity or participation unit options, a position in an underlying interest is carried long in a customer's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum margin required shall be:

(A) 100% of the market value of the long put options; minus

(B) 100% of the market value of the short call options; plus

(C) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.

(vi) Reconversion or short tripo combination

Where, in the case of equity or participation unit options, a position in an underlying interest is carried short in a customer's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum margin required shall be:

(A) 100% of the market value of the long call options; minus

(B) 100% of the market value of the short put options; plus

(C) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket (or participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.

(h) Offset combinations involving index products

(i) Index option and index participation unit option spread combinations

(A) Call spread combinations and put spread combinations

Where a customer account contains one of the following spread combinations:

- long index put option and short index participation unit put option; or
- long index call option and short index participation unit call option; or
- long index participation unit call option and short index call option; or
- long index participation unit put option and short index put option;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread combination shall be the lesser of:

(I) the margin required on the short option pursuant to sub-paragraphs 100.9(d)(i) and (ii); and

(II) the greater of:

(a) the loss amount, if any, that would result if both options were exercised; and

(b) the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(B) Short call – short put spread combinations

Where a customer account contains one of the following combinations:

- short index call option and short index participation unit put option; or

- short index participation unit call option and short index put option;

the minimum margin required shall be the greatest of:

(I) the greater of:

(a) the margin required on the short call option position; or

(b) the margin required on the short put option position;

and

(II) the excess of the aggregate exercise value of the short put option over the aggregate exercise value of the short call option;

and

(III) the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(ii) Index option combinations with index baskets and index participation units

(A) Short call option combinations with long qualifying index baskets or long index participation units

Where a customer account contains one of the following option related combinations:

- short index call options and long an equivalent number of qualifying baskets of index securities; or
- short index call options and long an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of index participation units;

the minimum margin required shall be the greater of:

(I) the lesser of:

(a) the normal margin required on the qualifying basket (or participation units); and

(b) any excess of the exercise value of the call options over the normal loan value of the qualifying basket (or participation units);

and

(II) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(B) Short put option combinations with short qualifying index baskets or short index participation units

Where a customer account contains one of the following option related combinations:

- short index put options and short an equivalent number of qualifying baskets of index securities; or
- short index put options and short an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- short index participation unit put options and short an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- short index participation unit put options and short an equivalent number of index participation units;

the minimum margin required shall be the greater of:

(I) the lesser of:

(a) the normal margin required on the qualifying basket (or participation units); and

(b) any excess of the normal credit required on the qualifying basket (or participation units) over the exercise value of the put options;

and

(II) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(C) Long call option combinations with short qualifying index baskets or short index participation units

Where a customer account contains one of the following option related combinations:

- long index call options and short an equivalent number of qualifying baskets of index securities; or
- long index call options and short an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- long index participation unit call options and short an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- long index participation unit call options and short an equivalent number of index participation units;

the minimum credit required shall be the sum of:

(I) 100% of the market value of the call options, and

(II) the greater of:

(a) the lesser of:

(i) the aggregate exercise value of the call options; and

(ii) the normal credit required on the qualifying basket (or participation units);

(b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(D) Long put option combinations with long qualifying index baskets or long index participation units

Where a customer account contains one of the following option related combinations:

- long index put options and long an equivalent number of qualifying baskets of index securities; or
- long index put options and long an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of index participation units;

the minimum margin required shall be the greater of:

(I) the lesser of:

(a) the normal margin required on the qualifying basket (or participation units); and

(b) the excess of the combined market value of the qualifying basket (or participation units) and the put option over the aggregate exercise value of the put option;

and

(II) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(E) Conversion or long tripo combinations

Where a customer account contains one of the following option related combinations:

- long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of

index call options (Note: Subject to incremental margin where qualifying basket is imperfect); or

- long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (Note: Subject to tracking error minimum margin); or
- long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;

the minimum margin required shall be the sum of:

(I) where applicable, the calculated incremental margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

(II) the greater of:

(a) the sum of:

(i) 100% of the market value of the long put options; minus

(ii) 100% of the market value of the short call options; plus

(iii) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options;

and

(b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(F) Reconversion or short tripo combinations

Where a customer account contains one of the following option related combinations:

- short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (Note: Subject to incremental margin where qualifying basket is imperfect); or

- short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (Note: Subject to tracking error minimum margin); or
- short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;

the minimum margin required shall be the sum of:

(I) where applicable, the calculated incremental margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

(II) the greater of:

(a) the sum of:

(i) 100% of the market value of the long call options; minus

(ii) 100% of the market value of the short put options; plus

(iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket (or participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options;

and

(b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(iii) Index basket combinations with index participation units

(A) Long qualifying index basket offset with short index participation units

Where a position in a qualifying basket of index securities is carried long in a customer’s account and the account is also short an equivalent number of index participation units, the margin required shall be the sum of the published tracking error margin rate plus the calculated incremental basket margin rate for the qualifying basket, multiplied by the market value of the participation units.

(B) Short qualifying index basket offset with long index participation units

Where a position in a qualifying basket of index securities is carried short in a customer's account and the account is also long an equivalent number of index participation units, the margin required shall be the sum of:

(I) the tracking error margin rate, unless the short basket is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the participation units;

and

(II) the calculated incremental basket margin rate for the qualifying basket;

multiplied by the market value of the participation units.

(iv) Index futures contract combinations with index baskets and index participation units

Where a customer account contains one of the following futures related combinations:

- long (or short) a qualifying basket of index securities and short (or long) an equivalent number of index futures contracts; or
- long (or short) index participation units and short (or long) an equivalent number of index futures contracts;

the margin required shall be the published tracking error margin rate plus the calculated incremental basket margin rate for the qualifying basket (not applicable if hedging with participation units), multiplied by the market value of the qualifying basket (or participation units).

(v) Index option combinations with index futures contracts

With respect to index options, index participation units options and index futures contracts held in customer accounts, where, the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, the option contracts and the futures contracts may be offset as follows:

(A) Short index call options or short index participation unit call options - long index futures contracts

Where a customer account contains one of the following futures and options related combinations:

- short index call options and long index futures contracts (Note: Subject to tracking error minimum margin); or
- short index participation unit call options and long index futures contracts (Note: Subject to tracking error minimum margin);

the minimum margin required shall be the greater of:

(I)

(a) the margin otherwise required on the futures contracts; less

(b) the aggregate market value of the short call options;

and

(II) the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(B) Short index put options or short index participation unit put options - short index futures contracts

Where a customer account contains one of the following futures and options related combinations:

- short index put options and short index futures contracts (Note: Subject to tracking error minimum margin); or
- short index participation unit put options and short index futures contracts (Note: Subject to tracking error minimum margin);

the minimum margin required shall be the greater of:

(I)

(a) the margin otherwise required on the futures contracts, less

(b) the aggregate market value of the short put options;

and

(II) the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(C) Long index call options or long index participation unit call options - short index futures contracts

Where a customer account contains one of the following futures and options related combinations:

- long index call options and short index futures contracts (Note: Subject to tracking error minimum margin); or
- long index participation unit call options and short index futures contracts (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

(I) Out-of-the-money position

The aggregate exercise value of the long call options less the daily settlement value of the short futures contracts, to a maximum of the margin required on unhedged futures contracts, plus the aggregate market value of the call options;

(II) In-the-money or at-the-money position

The amount by which the aggregate market value of the call options exceeds the aggregate in-the-money amount of the call options;

but in no case may the margin required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(D) Long index put options or long index participation unit put options - long index futures contracts

Where a customer account contains one of the following futures and options related combinations:

- long index put options and long index futures contracts (Note: Subject to tracking error minimum margin); or
- long index participation unit put options and long index futures contracts (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

(I) Out-of-the-money position

The daily settlement value of the long futures contracts less the aggregate exercise value of the long put options, to a maximum of the margin required on unhedged futures contracts, plus the aggregate market value of the put options;

(II) In-the-money or at-the-money option position

The amount by which the aggregate market value of the put options exceeds the aggregate in-the-money amount of the put options;

but in no case may the margin required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(E) Conversion or long tripo combination involving index options or index participation unit options and index futures contracts

Where a customer account contains one of the following tripo combinations:

- long index futures contracts and long index put options and short index call options with the same expiry date (Note: Subject to tracking error minimum margin); or
- long index futures contracts and long index participation unit put options and short index participation unit call options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

(I) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options, plus

(II) the aggregate net market value of the put and call options;

but in no case may the margin required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(F) Reconversion or short tripo combination involving index options or index participation unit options and index futures contracts

Where a customer account contains one of the following tripo combinations:

- short index futures contracts and long index call options and short index put options with the same expiry date (Note: Subject to tracking error minimum margin); or
- short index futures contracts and long index participation unit call options and short index participation unit put options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum margin required shall be:

(I) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or short put options and the daily settlement value of the short futures contracts, plus

(II) the aggregate net market value of the call and put options;

but in no case may the margin required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(G) With respect to the offsets enumerated in clauses (A) to (F), partial offsets are not permitted.

(i) Cross index offset combinations involving index products

Offsets are currently not available for offset positions in customer accounts involving products based on two different indices.

(j) Margin requirements for positions in and offsets involving OCC options

The margin requirements for OCC options shall be the same as set out in Rule 100.9.

100.10. Dealer Members' positions in options, futures and other equity-related derivatives

(a) For the purposes of this Rule 100.10:

(i) the terms "aggregate current value", "aggregate exercise value", "call option", "class of options", "clearing corporation", "customer account", "escrow receipt", "exercise price", "firm account", "floating margin rate", "incremental basket margin rate", "index ", "index option", "in-the-money", "market maker account", "non-customer account", "OCC option", "option", "out-of-the-money", "participation unit", "participation unit option", "premium", "put option", "qualifying basket of index securities", "tracking error margin rate", "underlying interest" and "unit of trading" mean the same as set out in Rule 100.9(a).

(ii) the term “Dealer Member account” means all non-customer accounts including firm accounts, market maker accounts and specialist accounts.

(b) Exchange traded options – general capital requirements

The capital requirements with respect to options and options-related positions in securities held in Dealer Member accounts shall be as follows:

(i) in the treatment of spreads, the long position may expire before the short position;

(ii) for any short position carried for a customer or non-customer account where the account has not provided required margin, any shortfall will be charged against the Dealer Member's capital;

(iii) where a Dealer Member account holds both options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the capital requirements for the account under this Rule 100.10; and

(iv) for CDCC currency options, the normal margin required for the underlying interest shall be a percentage of the market value of the underlying interest determined in using the Corporation’s published spot risk margin rate for the currency.

(v) from time to time the Corporation may impose special capital requirements with respect to particular options or particular positions in options.

(c) Long option positions

(i) For Dealer Member accounts, subject to sub-paragraph (ii), the capital requirement for long options shall be the sum of:

(A) where the period to expiry is greater or equal to 9 months, 50% of the option’s time value, 100% of the option’s time value otherwise; and

(B) the lesser of:

(I) the normal capital required for the underlying interest; and

(II) the option’s in-the-money amount, if any.

(ii) Where in the case of equity options, the underlying interest in respect of a long call is the subject of a legal and binding cash take-over bid for which all conditions have been met, the capital required on such call shall be the market value of the call less the amount by which the amount offered exceeds the exercise price of the call. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the capital requirement shall be applied pro rata in the same proportion as the offer and paragraph (c)(i) shall apply to the balance.

(d) Short option positions

The capital requirement which must be maintained in respect of an option carried short in a Dealer Member account shall be:

(i)

(A) in the case of equity or equity participation unit options, the market value of the equivalent number of equity securities or participation units, multiplied by the underlying interest margin rate; or

(B) in the case of index participation unit options, the market value of the equivalent number of index participation units, multiplied by the floating margin rate; or

(C) in the case of index options, the aggregate current value of the index, multiplied by the floating margin rate;

(D) in case of CDCC currency options, a percentage of the market value of the underlying currency determined by using the Corporation's published spot risk margin rate for the currency;

minus

(ii) any out-of-the-money amount associated with the option.

(e) Covered option positions

(i) No capital shall be required for a call option carried short in a Dealer Member account, which is covered by the deposit of an escrow receipt. The underlying interest deposited in respect of such options shall not be deemed to have any value for capital purposes.

Evidence of a deposit of the underlying interest shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Corporation. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation.

(ii) No capital shall be required for a put option carried short in a Dealer Member account which is covered by the deposit of an escrow receipt which certifies that acceptable government securities are being held by the issuer of the escrow receipt for the account of the Dealer Member. The acceptable government securities held on deposit:

(A) shall be government securities:

(I) which are acceptable forms of margin for the clearing corporation; and

(II) which mature within one year of their deposit; and

(B) shall not be deemed to have any value for margin purposes.

The aggregate exercise value of the short put options shall not be greater than 90% of the aggregate par value of the acceptable government securities held on deposit. Evidence of the deposit of the acceptable government securities shall be deemed an escrow receipt for the purposes hereof if the agreements required by the rules of the clearing corporation have been executed and delivered to the clearing corporation and if a copy thereof is available to the Corporation on request. The issuer of the escrow receipt covering the escrow deposit must be a financial institution approved by the clearing corporation.

(iii) No capital shall be required for a put option carried short in a Dealer Member account if the Dealer Member has obtained a letter of guarantee, issued by a

financial institution which has been authorized by the clearing corporation to issue escrow receipts, in a form satisfactory to the Corporation, and is:

(A) a bank which is a Canadian chartered bank or a Quebec savings bank; or

(B) a trust company which is licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000;

provided that the letter of guarantee certifies that the bank or trust company:

(C) holds on deposit for the account of the Dealer Member cash in the full amount of the aggregate exercise value of the put and that such amount will be paid to the clearing corporation against delivery of the underlying interest covered by the put; or

(D) unconditionally and irrevocably guarantees to pay to the clearing corporation the full amount of the aggregate exercise value of the put against delivery of the underlying interest covered by the put;

and further provided that the Dealer Member has delivered the letter of guarantee to the clearing corporation and the clearing corporation has accepted it as margin.

(f) Option spreads and combinations

(i) Call spreads and put spreads

Where a Dealer Member account contains one of the following spread pairings for an equivalent number of trading units on the same underlying interest:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required for the spread pairing shall be the lesser of:

(A) the capital required on the short option pursuant to sub-paragraph 100.10(d)(i); or

(B) the spread loss amount, if any, that would result if both options were exercised.

(ii) Short call – short put spreads

Where a call option is carried short for a Dealer Member's account and the account is also short a put option on the same number of units of trading on the same underlying interest, the minimum capital required shall be the greater of:

(A) the greater of:

(I) the capital required on the call option position; or

(II) the capital required on the put option position;

and

(B) the excess of the aggregate exercise value of the put option over the aggregate exercise value of the call option.

(iii) Long call – long put

Where a call option is carried long for a Dealer Member's account and the account is also long a put option on the same number of units of trading on the same underlying interest, the minimum capital required shall be the lesser of:

(A) the sum of:

(I) the capital required for the long call option position; and

(II) the capital required for the long put option position;

or

(B) the sum of:

(I) 100% of the market value of the long call option; and

(II) 100% of the market value of the long put option; minus

(III) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.

(iv) Long call – short call – long put

Where a call option is carried long for a Dealer Member's account and the account is also short a call option and long a put option on the same number of units of trading on the same underlying interest, the minimum capital required shall be:

(A) 100% of the market value of the long call option; plus

(B) 100% of the market value of the long put option; minus

(C) 100% of the market value of the short call option; plus

(D) the greater of:

(I) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option; and

(II) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.

Where the amount calculated in (D) is negative, this amount may be applied against the capital charge.

(v) Short call – long warrant

Where a call option is carried short for a Dealer Member's account and the account is also long a warrant on the same number of units of trading on the same underlying interest, the minimum capital required shall be the sum of:

(A) the lesser of:

(I) the capital required for the call option pursuant to sub-paragraph 100.10(d)(i); or

(II) the spread loss amount, if any, that would result if both the option and the warrant were exercised;

and

(B) the excess of the market value of the warrant over the in-the-money value of the warrant multiplied by 25%; and

(C) the in-the-money value of the warrant, multiplied by:

(I) 50%, where the expiration date of the warrant is 9 months or more away, or

(II) 100%, where the expiration date of the warrant is fewer than 9 months away.

The market value of any premium credit carried on the short call option may be used to reduce the capital required on the long warrants, but cannot reduce the capital required to less than zero.

(vi) Box spread

Where a Dealer Member account contains a box spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum capital required shall be the lesser of:

(I) the difference, plus or minus, between the aggregate exercise value of the long call options and the aggregate exercise value of the long put options; and

(II) the net market value of the options.

(vii) Long butterfly spread

Where a Dealer Member account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, and the interval between the strike prices is equal, the minimum capital required shall be the net market value of the short and long call options (or put options).

(viii) Short butterfly spread

Where a Dealer Member account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, and the interval between the strike prices is equal, the minimum capital required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the capital required.

(ix) Long Condor Spread

Where a Dealer Member account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds four separate options series wherein the strike prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively,

the minimum capital required shall be the net market value of the short and long call options (or put options).

(x) Short Iron Butterfly Spread

Where a Dealer Member account contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum capital required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum capital required.

(xi) Short Iron Condor Spread

Where a Dealer Member account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that a Dealer Member holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum capital required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.

(g) Option and security combinations

(i) Short call – long underlying (or convertible) combination

Where, in the case of equity, currency or equity participation unit options, a call option is carried short in a Dealer Member's account and the account is also long an equivalent position in the underlying interest or, in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time shall be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum capital required shall be the sum of:

(A) the lesser of:

(I) the normal capital required on the underlying interest; and

(II) any excess of the aggregate exercise value of the call options over the normal loan value of the underlying interest;

and

(B) where a convertible security or exchangeable security is held, the amount of the conversion loss as defined in Rule 100.4H.

The market value of any premium credit carried on the short call may be used to reduce the capital required on the long security, but cannot reduce the capital required to less than zero.

(ii) Short put – short underlying combination

Where, in the case of equity, currency or equity participation unit options, a put option is carried short in a Dealer Member's account and the account is also short an equivalent position in the underlying interest, the minimum capital required shall be the lesser of:

(A) the normal capital required on the underlying interest; and

(B) any excess of the normal capital required on the underlying interest over the in-the-money value, if any, of the put options.

The market value on any premium credit carried on the short put may be used to reduce the capital required on the short security, but cannot reduce the capital required to less than zero.

(iii) Long call – short underlying combination

Where, in the case of equity, currency or equity participation unit options, a call option is carried long in a Dealer Member's account and the account is also short an equivalent position in the underlying interest, the minimum capital required shall be the sum of:

(A) 100% of the market value of the long call option; plus

(B) the lesser of:

(I) any out-of-the-money value associated with the call option; or

(II) the normal capital required on the underlying interest.

Where the call option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.

(iv) Long put – long underlying combination

Where, in the case of equity, currency or equity participation unit options, a put option is carried long in a Dealer Member's account and the account is also long an equivalent position in the underlying interest, the minimum capital required shall be the lesser of:

(A) the normal capital required on the underlying interest; and

(B) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.

Where the put option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.

(v) Conversion or long tripo combination

Where, in the case of equity or participation unit options, a position in an underlying interest is carried long in a Dealer Member's account and the account is also long an equivalent position in put options and short an equivalent position in call options, the minimum capital required shall be:

(A) 100% of the market value of the long put options; minus

(B) 100% of the market value of the short call options; plus

(C) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options.

(vi) Reconversion or short tripo combination

Where, in the case of equity or participation unit options, a position in an underlying interest is carried short in a Dealer Member's account and the account is also long an equivalent position in call options and short an equivalent position in put options, the minimum capital required shall be:

(A) 100% of the market value of the long call options; minus

(B) 100% of the market value of the short put options; plus

(C) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket (or participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.

(h) Offset combinations involving index products

(i) Index option and index participation unit option spread combinations

(A) Call spread combinations and put spread combinations

Where a Dealer Member account contains one of the following spread combinations:

- long index participation unit call option and short index call option; or
- long index call option and short index participation unit call option; or
- long index participation unit put option and short index put option; or
- long index put option and short index participation unit put option;

and the short option expires on or before the date of expiration of the long option, the minimum capital required for the spread combination shall be the lesser of:

(I) the capital required on the short option pursuant to sub-paragraph 100.10(d)(i); and

(II) the greater of:

(a) spread loss amount, if any, that would result if both options were exercised; and

(b) the published tracking error margin rate for a spread between the index and the related participation units,

multiplied by the market value of the underlying participation units.

(B) Short call – short put spread combinations

Where a Dealer Member account contains one of the following spread combinations:

- short index participation unit call option and short index put option; or
- short index call option and short index participation unit put option;

the minimum capital required shall be the greatest of:

(I) the greater of:

(a) the capital required on the short call option position; or

(b) the capital required on the short put option position;

and

(II) the excess of the aggregate exercise value of the short put option over the aggregate exercise value of the short call option;

and

(III) the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(ii) Index option combinations with index baskets and index participation units

(A) Short call option combinations with long qualifying index baskets or long index participation units

Where a Dealer Member account contains one of the following option related combinations:

- short index call options and long an equivalent number of qualifying baskets of index securities; or
- short index call options and long an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- short index participation unit call options and long an equivalent number of index participation units;

the minimum capital required shall be the greater of:

(I) the lesser of:

(a) the normal capital required on the qualifying basket (or participation units); and

(b) any excess of the exercise value of the call options over the normal loan value of the qualifying basket (or participation units);

and

(II) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(B) Short put option combinations with short qualifying index baskets or short index participation units

Where a Dealer Member account contains one of the following option related combinations:

- short index put options and short an equivalent number of qualifying baskets of index securities; or
- short index put options and short an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- short index participation unit put options and short an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- short index participation unit put options and short an equivalent number of index participation units;

the minimum capital required shall be the greater of:

(I) the lesser of:

(a) the normal capital required on the qualifying basket (or participation units); and

(b) any excess of the normal credit required on the underlying interest over the exercise value of the put options.

(II) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(C) Long call option combinations with short qualifying index baskets or short index participation units

Where a Dealer Member account contains one of the following option related combinations:

- long index call options and short an equivalent number of qualifying baskets of index securities; or
- long index call options and short an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or

- long index participation unit call options and short an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- long index participation unit call options and short an equivalent number of index participation units;

the minimum capital required shall be the sum of:

(I) 100% of the market value of the call options, and

(II) the greater of:

(a) the lesser of:

(i) the aggregate exercise value of the call options less the market value of the qualifying basket (or participation units); and

(ii) the normal capital required on the qualifying basket (or participation units);

(b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(D) Long put option combinations with long qualifying index baskets or long index participation units

Where a Dealer Member account contains one of the following option related combinations:

- long index put options and long an equivalent number of qualifying baskets of index securities; or
- long index put options and long an equivalent number of index participation units (Note: Subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of qualifying baskets of index securities (Note: Subject to tracking error minimum margin); or
- long index participation unit put options and long an equivalent number of index participation units;

the minimum capital required shall be the greater of:

(I) the lesser of:

(a) the normal capital required on the qualifying basket (or participation units); and

(b) the excess of the combined market value of the qualifying basket (or participation units) and the put option over the aggregate exercise value of the put option;

and

(II) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(E) Conversion or long tripo combinations

Where a Dealer Member account contains one of the following option related combinations:

- long a qualifying basket of index securities, long an equivalent number of index put options and short an equivalent number of index call options (Note: Subject to incremental margin where qualifying basket is imperfect); or
- long index participation units, long an equivalent number of index put options and short an equivalent number of index call options (Note: Subject to tracking error minimum margin); or
- long a qualifying basket of index securities, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- long index participation units, long an equivalent number of index participation unit put options and short an equivalent number of index participation unit call options;

the minimum capital required shall be the sum of:

(I) where applicable, the calculated incremental margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket.

and

(II) the greater of:

(a) the sum of:

(i) 100% of the market value of the long put options; minus

(ii) 100% of the market value of the short call options; plus

(iii) the difference, plus or minus, between the market value of the qualifying basket (or participation units) and the aggregate exercise value of the long put options, where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the call options;

and

(b) where applicable, the published tracking error margin rate for a spread between the index and the related

participation units, multiplied by the market value of the underlying participation units.

(F) Reconversion or short tripo combinations

Where a Dealer Member account contains one of the following option related combinations:

- short a qualifying basket of index securities, short an equivalent number of index put options and long an equivalent number of index call options (Note: Subject to incremental margin where qualifying basket is imperfect); or
- short index participation units, short an equivalent number of index put options and long an equivalent number of index call options (Note: Subject to tracking error minimum margin); or
- short a qualifying basket of index securities, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options (Note: Subject to incremental margin where qualifying basket is imperfect and subject to tracking error minimum margin); or
- short index participation units, short an equivalent number of index participation unit put options and long an equivalent number of index participation unit call options;

the minimum capital required shall be the sum of:

(I) where applicable, the calculated incremental margin rate for the qualifying basket of index securities, multiplied by the market value of the qualifying basket;

and

(II) the greater of:

(a) the sum of:

(i) 100% of the market value of the long call options; minus

(ii) 100% of the market value of the short put options; plus

(iii) the difference, plus or minus, between the aggregate exercise value of the long call options and the market value of the qualifying basket (or participation units), where the aggregate exercise value used in the calculation cannot be greater than the aggregate exercise value of the put options.

and

(b) where applicable, the published tracking error margin rate for a spread between the index and the related participation units, multiplied by the market value of the underlying participation units.

(G) Offsets involving options relating to a commitment to purchase index participation units

(I) Short index participation unit call options - long qualifying index basket - commitment to purchase index participation units

Where a Dealer Member holds a long position in a qualifying basket of index securities offset by an equivalent number of short index participation unit call options, and has a commitment to purchase a new issue of index participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the short call options, provided the size of the long qualifying basket does not exceed the size of the Dealer Member's underwriting commitment to purchase index participation units, the capital required shall be the normal capital required on the long qualifying basket less the market value of the short call options, but in no event shall the capital required be less than zero.

(II) Long index participation unit put options - long qualifying index basket - commitment to purchase index participation units

Where a Dealer Member holds a long position in a qualifying basket of index securities offset by an equivalent number of long index participation unit put options, and has a commitment to purchase a new issue of index participation units pursuant to an underwriting agreement and the underwriting period expires after the expiry date of the long put options, provided the size of the long qualifying basket does not exceed the size of the Dealer Member's underwriting commitment to purchase index participation units, the capital required shall be:

(a) 100% of the market value of the long put options; plus

(b) the lesser of:

(i) the normal capital required on the long qualifying basket, or

(ii) the market value of the qualifying basket less the aggregate exercise value of the put options.

A negative value calculated under (b)(ii) may reduce the capital required on the put options, but in no event shall the capital required be less than zero.

(iii) Index basket combinations with index participation units

(A) Long qualifying index basket offset with short index participation units

Where a position in a qualifying basket of index securities is carried long in a Dealer Member's account and the account is also short an equivalent number of index participation units, the capital required shall be the sum of the published tracking error margin rate plus the calculated incremental basket margin rate for the qualifying basket, multiplied by the market value of the participation units.

(B) Short qualifying index basket offset with long index participation units

Where a position in a qualifying basket of index securities is carried short in a Dealer Member's account and the account is also long an equivalent number of index participation units, the capital required shall be the sum of:

(I) the tracking error margin rate, unless the short basket is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the participation units;

and

(II) the calculated incremental basket margin rate for the qualifying basket;

multiplied by the market value of the participation units.

(C) Offsets involving index participation units relating to a commitment to purchase index participation units

Short index participation units – long qualifying index basket – commitment to purchase index participation units

Where a Dealer Member has a commitment pursuant to an underwriting agreement to purchase a new issue of index participation units, and holds an equivalent long position in a qualifying basket of index securities and also holds an equivalent number of short index participation units, no capital is required, provided the long basket:

(a) is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the participation units; and

(b) does not exceed the Dealer Member's underwriting commitment to purchase the participation units.

(iv) Index futures contract combinations with index baskets and index participation units

Where a Dealer Member account contains one of the following futures related combinations:

- long (or short) a qualifying basket of index securities and short (or long) an equivalent number of index futures contracts; or
- long (or short) index participation units and short (or long) an equivalent number of index futures contracts;

the capital required shall be the published tracking error margin rate plus the calculated incremental basket margin rate for the qualifying basket (not applicable if hedging with participation units), multiplied by the market value of the qualifying basket (or participation units).

(v) Index option combinations with index futures contracts

With respect to index options, index participation units options and index futures contracts held in Dealer Member accounts, where, the option contracts and the futures contracts have the same settlement date, or can be settled in either of the two nearest contract months, the option contracts and the futures contracts may be offset as follows:

(A) Short index call options or short index participation unit call options - long index futures contracts

Where a Dealer Member account contains one of the following futures and options related combinations:

- short index call options and long index futures contracts (Note: Subject to tracking error minimum margin); or
- short index participation unit call options and long index futures contracts (Note: Subject to tracking error minimum margin);

the minimum capital required shall be the greater of:

(I)

(a) the capital otherwise required on the futures contracts; less

(b) the aggregate market value of the short call options;

and

(II) the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(B) Short index put options or short index participation unit put options - short index futures contracts

Where a Dealer Member account contains one of the following futures and options related combinations:

- short index put options and short index futures contracts (Note: Subject to tracking error minimum margin); or
- short index participation unit put options and short index futures contracts (Note: Subject to tracking error minimum margin);

the minimum capital required shall be the greater of:

(I)

(a) the capital otherwise required on the futures contracts, less

(b) the aggregate market value of the short put options;

and

(II) the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(C) Long index call options or long index participation unit call options - short index futures contracts

Where a Dealer Member account contains one of the following futures and options related combinations:

- long index call options and short index futures contracts (Note: Subject to tracking error minimum margin); or
- long index participation unit call options and short index futures contracts (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

(I) Out-of-the-money position

The aggregate exercise value of the long call options less the daily settlement value of the short futures contracts, to a maximum of the capital required on un-hedged futures contracts, plus the aggregate market value of the call options;

(II) In-the-money or at-the-money position

The amount by which the aggregate market value of the call options exceeds the aggregate in-the-money amount of the call options;

but in no case may the capital required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(D) Long index put options or long index participation unit put options - long index futures contracts

Where a Dealer Member account contains one of the following futures and options related combinations:

- long index put options and long index futures contracts (Note: Subject to tracking error minimum margin); or
- long index participation unit put options and long index futures contracts (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

(I) Out-of-the-money position

The daily settlement value of the long futures contracts less the aggregate exercise value of the long put options, to a maximum of the capital required on un-hedged futures contracts, plus the aggregate market value of the put options;

(II) In-the-money or at-the-money option position

The amount by which the aggregate market value of the put options exceeds the aggregate in-the-money amount of the put options;

but in no case may the capital required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(E) Conversion or long tripo combination involving index options or index participation unit options and index futures contracts

Where a Dealer Member account contains one of the following tripo combinations:

- long index futures contracts and long index put options and short index call options with the same expiry date (Note: Subject to tracking error minimum margin); or
- long index futures contracts and long index participation unit put options and short index participation unit call options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

(I) the greater of the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options, plus

(II) the aggregate net market value of the put and call options;

but in no case may the capital required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(F) Reconversion or short tripo combination involving index options or index participation unit options and index futures contracts

Where a Dealer Member account contains one of the following tripo combinations:

- short index futures contracts and long index call options and short index put options with the same expiry date (Note: Subject to tracking error minimum margin); or
- short index futures contracts and long index participation unit call options and short index participation unit put options with the same expiry date (Note: Subject to tracking error minimum margin);

the minimum capital required shall be:

(I) the greater of the difference, plus or minus, between the aggregate exercise value of the long call options or short put options and the daily settlement value of the short futures contracts, plus

(II) the aggregate net market value of the call and put options;

but in no case may the capital required be less than the published tracking error margin rate for a spread between the future and the related index or participation units, multiplied by the market value of the underlying qualifying basket or participation units.

(G) With respect to the offsets enumerated in clauses (A) to (F), partial offsets are not permitted.

(i) Cross index offset combinations involving index products

Offsets involving products based on two different indices may be permitted provided:

(i) both indices qualify as an index as defined in Rule 100.9(a)(xii);

(ii) there is significant performance correlation between the indices; and

(iii) the Corporation has made available a published tracking error margin rate for cross index offsets involving the two indices.

Where offsets involving products based on two different indices are permitted the capital requirements set out in Rule 100.10(h) may be used provided that any capital requirement calculated shall be no less than the published tracking error margin rate for cross index offsets involving the two indices.

(j) Capital requirements for positions in and offsets involving OCC options

For Dealer Member inventory and other firm accounts, the capital charge for positions in and offsets involving OCC options shall be the same as set out in the remainder of Rule 100.10.

(k) Optional use of TIMS or SPAN

With respect to a Dealer Member firm account constituted exclusively of positions in derivatives listed at the Bourse de Montréal, the capital required may be the one calculated, as the case may be, by the Standard Portfolio Analysis ("SPAN") methodology or by the Theoretical Intermarket Margin System ("TIMS") methodology, using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation. All changes to the assumptions used by the Canadian Derivatives Clearing Corporation shall be approved by the Bourse de Montréal prior to implementation to ensure that the continued use of the SPAN and TIMS methodologies for regulatory purposes is appropriate.

The selected methodology (either SPAN or TIMS) must be used consistently and cannot be changed without the prior consent of the Bourse de Montréal. If the Dealer Member firm selects the SPAN methodology or the TIMS methodology, the capital requirements calculated under those methodologies will supersede the requirements stipulated in Rule 100.

For the purpose of the present article, "margin interval" means the product of the three following elements:

(i) the maximum standard deviation of percentage fluctuations in daily settlement values over the most recent 20, 90 and 260 business days; multiplied by

(ii) three (for a 99% confidence interval); and multiplied by

(iii) the square root of 2 (for two days coverage).

Over-the-Counter Options

100.11.

"Over-the-counter Option" means an option, other than an option described in Rule 1900.1;[1]

[1] Note: Writing over-the-counter options constitutes distribution of securities for which a prospectus may be required or for which specific or blanket exemptive relief may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so should accordingly ensure that such distribution is in compliance with applicable securities legislation

"Underlying Interest" means

(i) In the case of an equity, participation unit or bond option, the security, or

(ii) In the case of an index option, the index that is the subject of the option.

(a) Client Accounts

All purchases of over-the-counter options for client accounts shall be for cash. For the purposes of this Rule 100.11, a client account is an account in which the Dealer Member, a related company of the Dealer Member or any partner, director, officer or employee of the Dealer Member does not have an interest, direct or indirect, other than an interest in the commission charged.

(b) Firm Accounts

(i) The charge to capital for a long call and for a long put where the over-the-counter option's premium is less than $1.00 shall be the market value of the option.

(ii) The charge to capital for a long call where the over-the-counter option's premium is $1.00 or more, and which is not used to offset capital required on any other position, shall be the market value of the call, less 50% of the excess of the market value of the underlying interest over the exercise price of the call.

(i) The charge to capital for a long put where the over-the-counter option's premium is $1.00 or more, and which is not used to offset capital required on any other position, shall be the market value of the put, less 50% of the excess of the exercise price of the put over the market value of the underlying interest.

(c) Short Positions

Subject to sub-sections (g) and (h), the minimum margin for short positions in over-the-counter options shall be as follows:

(i) In the case of a short over-the-counter option position, other than a futures contract option position, the minimum margin shall be

(A) 100% of the current premium of the short over-the-counter option,

(B) Plus the product of multiplying the margin rate of the underlying interest by the market value of the underlying interest;

(C) Less any out-of-the-money amount.

(ii) Notwithstanding paragraph (i), in the case of a short over-the-counter option position in a client account the minimum margin shall not be less than

(A) 100% of the current premium of the option,

(B) Plus 25% of the product of multiplying the margin rate of the underlying interest by the market value of the underlying interest.

(d) Over-the-counter option positions in inventory or in a client account shall be marked to the market daily by calculating the value on a basis consistent with the valuation benchmark or mathematical model used in determining the premium at the time the contract was initially entered.

(e) Where the Dealer Member is a party to an over-the-counter option, the counter-party to the option shall be considered a client of the Dealer Member.

(f) All opening short transactions in over-the-counter options must be carried in a margin account.

(g)

(i) The following constitute adequate margin for over-the-counter options:

(A) A specific deposit of the underlying interest in negotiable form in the client's margin account with the Dealer Member, or

(B) The deposit with the Dealer Member in an escrow receipt, as defined in subsection (ii), in respect of the underlying interest.

(ii) Evidence of a deposit of an over-the-counter option's underlying interest shall be deemed an escrow receipt for the purposes hereof if the underlying interest is held pursuant to an escrow agreement by a custodian that is a depository, both of which are acceptable to the Corporation.

(iii) The requirements of this subsection apply, regardless of any otherwise available margin reduction or margin offset, in the following circumstance:

(A) Where an over-the-counter option is written by a client that is not an Acceptable Institution, Acceptable Counter-party or Regulated Entity (as defined in Form 1),

(B) Where the terms of the over-the-counter option require settlement by physical delivery of the underlying interest, and

(C) Where a margin rate less than 100% for the underlying interest has not been established under the Rules.

(h) Financial Institutions

(i) No margin is required for over-the-counter options entered into by a client that is an Acceptable Institution (as defined in Form 1).

(ii) Where the client is an Acceptable Counter-party or Regulated Entity (as defined in Form 1), the required margin shall be the market value deficiency calculated in respect of the option position on an item-by-item basis.

(i) Margin Offsets

(i) Except as otherwise provided in this subsection, clients, as defined in subsection (e), and Dealer Members are permitted margin offsets for the purpose of hedging over-the-counter options in the same manner as set out in Rules 100.9 and 100.10, provided that the underlying interest is the same.

(ii) In the case of spreads involving European exercise over-the-counter options,

(A) A margin offset is permitted where the spread consists of a long and short European exercise option and the contracts have the same expiration date; and

(B) A margin offset is permitted where the spread consists of a short European exercise option and long American exercise option; however

(C) A margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.

(j) Consistent with listed options, Dealer Members are permitted to apply the premium credit generated on over-the-counter options against the margin required pursuant to this Rule.

(k) Margin Agreements

Dealer Members writing and issuing or guaranteeing over-the-counter options on behalf of a customer shall have and maintain with each customer a margin agreement in writing defining the rights and obligations between them in regard to over-the-counter options or have and maintain supplementary over-the-counter option agreements with customers selling such options.

(l) Confirmation, Delivery and Exercise

(i) Every over-the-counter option shall be confirmed in writing as between the parties, such confirmation to be mailed or delivered on the day of the transaction.

(ii) Payment for an over-the-counter option, settlement, exercise and delivery shall be made in accordance with the terms of the over-the-counter contract.

Inventory

100.12. Notwithstanding Rule 100.2, margin on securities owned or sold short by a Dealer Member shall be provided at the following rates:

(a) Securities eligible for reduced margin

25% of the market value if such securities are:

(i) On the list of securities eligible for reduced margin as approved by a recognized self-regulatory organization ("securities eligible for reduced margin") and such securities continue to sell at $2.00 or more;

(ii) Securities against which options issued by The Options Clearing Corporation are traded;

(iii) Convertible into securities that qualify under item (i);

(iv) Non-convertible preferred and senior shares of an issuer any of whose securities qualify under item (i); or

(v) securities whose original issuance generated Tier 1 capital for a financial institution any of whose securities qualify under item (i) and the financial institution is under the regulatory oversight of the Office of the Superintendent of Financial Institutions of Canada.

For the purpose of this Rule 100.12(a), the Board of Directors hereby designates, as recognized self-regulatory organizations, the Canadian Venture Exchange, the Montreal Exchange and the Investment Industry Regulatory Organization of Canada.

(b) Government-guaranteed securities

25% of the market value of shares in respect of which the payment of all dividends and the redemption amount or other return of capital to the holder is unconditionally guaranteed by the Government of Canada or of a province of Canada.

(c) Floating rate preferred shares

(i) 50% of the margin rate that applies to the related junior security of the issuer multiplied by the market value of the floating rate preferred shares;

(ii) If the floating rate preferred shares are selling over par and are convertible into other securities of the issuer, the margin required shall be the lesser of:

(A) the sum of:

(I) the effective rate determined in Rule 100.12(c)(i) multiplied by par value; and

(II) the excess of market value over par value;

and

(B) the maximum margin requirement for a convertible security calculated pursuant to Rule 100.21.

(iii) 50%, if the issuer of the shares is in default of the payment of any dividend on the shares, in which case the foregoing clauses shall not apply.

For the purposes of this Rule 100.12(c), the term "floating rate preferred share" means a special or preferred share described in paragraphs (i), (ii) and (iii) of Rule 100.2(f), by the terms of which the rate of dividend fluctuates at least quarterly in tandem with a prescribed short term interest rate.

(d) Floating rate debt obligations

50% of the percentage rates of margin otherwise required, except, if margin is otherwise required in respect of excess market value over par, 100% of the rates of margin otherwise required shall apply to the excess market value.

For the purposes of this Rule 100.12(d), the term "floating rate debt obligation" means a debt instrument described in Rule 100.2(a)(i), (ii), (iii), or (vi) or in Rule 100.2(b) by the terms of which the rate of interest is adjusted at least quarterly by reference to interest rate for periods of 90 days or less.

(e) Bank warrants for government securities

100% of the margin required in respect of the securities to which the holder of the warrant is entitled upon exercise of the warrant provided that, in the case of a long position, margin need not exceed the market value of the warrant.

For the purposes of this Rule 100.12(e), bank warrants for government securities means warrants issued by a Canadian chartered bank which are listed on any recognized stock exchange or other listing organization referred to in Rule 100.2(f)(i) and which entitle the holder to purchase securities issued by the Government of Canada or any province thereof.

(f) Securities Held in Registered Trader’s Account

25% of the market value if such securities:

(i) Are not securities eligible for reduced margin for which the registered trader has responsibility or has “on-post” trading privileges;

(ii) Have traded for a value of not less than $2.00 per share for the previous calendar quarter.

The reduced margin rate is applicable only to a maximum total in all registered trader accounts of a Dealer Member of:

(i) $100,000 of market value per security if 90,000 shares or more of the security were traded in the previous calendar quarter on a stock exchange recognized by

the Corporation for margin purposes and the National Association of Securities Dealers Automated Quotations System; and

(ii) $50,000 of market value per security if less than 90,000 shares of the security were traded in the previous calendar quarter on a stock exchange recognized by the Corporation for margin purposes and the National Association of Securities Dealers Automated Quotations System.

Margin for the excess position of market value on amounts over $100,000 and $50,000, respectively, shall be provided at the rate of 50% of market value for such securities. The total reduction in margin which is permitted by this Rule 100.12(f) shall not exceed 50% of the Dealer Member's net allowable assets.

(g) Debt and equity security offsets with futures and forwards

A Dealer Member's long or short position (including forward commitments) in bonds, debentures or treasury bills issued or guaranteed by the Government of Canada or in securities (other than bonds and debentures) posted for trading on the Toronto Stock Exchangewhich is covered by a position on a commodity futures exchange shall be exempt from the capital charges otherwise provided herein. Capital charges based on the applicable rates shall be on the net long or short position (including forward commitments).

Securities Subject to Redemption Call or Offer

100.13. Notwithstanding Rule 100.2, no margin is required in respect of:

(i) Securities which have been called for cash redemption pursuant to the terms and conditions attaching thereto, or

(ii) Securities for which a legal and binding cash offer to purchase has been made and in respect of which any conditions have been met,

provided that such securities are not carried for an amount in excess of the price offered, and all legal requirements have been met and all regulatory, competition bureau and court approvals to proceed with the redemption call or offer have been received and verified.

In the event that a cash offer is made for a fraction of the issued and outstanding class of securities, the reduced margin requirements above shall only apply to the same fraction of the position held in a particular account for that class of securities.

Guarantees

100.14. No Dealer Member shall provide, directly or indirectly, any guarantee, indemnity or similar form of financial assistance to any person unless the amount of the guarantee, indemnity or other assistance is limited to a fixed or determinable amount (except a guarantee provided in accordance with Rule 16.2(iv)) and margin is provided for by the Dealer Member pursuant to this Rule 100.14 or the amount is otherwise provided for in computing the risk adjusted capital of the Dealer Member. The margin required in respect of any such guarantee, indemnity or financial assistance shall be the amount thereof, less the loan value (calculated in accordance with the Rules) of any collateral available to the Dealer Member in respect of the guarantee, indemnity or assistance and, in the case of guarantees provided in accordance with Rule 16.2(iv), no margin shall be required.

100.15. The margin required in respect of the account of a customer of a Dealer Member which is guaranteed in accordance with this Rule 100.15 may be reduced to the extent that there is excess margin in the accounts of the guarantor held by the Dealer Member calculated on an aggregated or consolidated basis and provided the Dealer Member has received the written consent of the customer to provide the guarantor with the customer's account statement, at least quarterly. Where

the customer objects to provide such written consent, the Dealer Member shall notify the guarantor in writing of the customer's objection.

In calculating margin reductions for guaranteed accounts, the following rules shall apply:

(a) Guarantees in respect of customers' accounts by shareholders, registered representatives or employees of the Dealer Member shall not be accepted, unless paragraph (b) is applicable and has been complied with, or in the case of guarantees by shareholders, there is public ownership of the securities held by the shareholder and the shareholder is not an employee, registered representative, partner, director or officer of the Dealer Member or the holder of a significant equity interest in respect of the Dealer Member or its holding company within the meaning of Rule 5.4;

(b) Guarantees in respect of customers' accounts by partners, directors or officers of the Dealer Member shall only be accepted on the following basis:

(i) The self-regulatory organization having prime audit jurisdiction in Canada over the Dealer Member shall expressly approve the guarantee in writing by providing separate written approval and the release of the guarantee shall only be effective upon receipt of the express approval of the self-regulatory organization given in the same manner;

(ii) The guarantor shall not be permitted to transfer cash, securities, contracts or any other property from the accounts of the guarantor in respect of which the margin reduction is based without the prior written approval of the self-regulatory organization referred to in clause (b)(i);

(iii) The provisions of Form 1, Schedule 4, shall apply to the customer's account regardless of the guarantee and, if the account has been restricted and subsequently fully margined, no trading shall occur in the account until the guarantee is released in accordance with clause (b)(i) above;

(c) Guarantees in respect of accounts of partners, directors, officers, shareholders, registered representatives or employees by customers of the Dealer Member shall not be accepted;

(d) Paragraphs (a), (b) and (c) do not apply to guarantees by any of the persons referred to therein in respect of accounts of members of the immediate families of such persons nor to guarantees in respect of the accounts of any of the persons referred to therein by members of their immediate families;

(e) In determining the margin deficiency of the account of any client, a guarantee in respect of the account may be accepted for margin purposes unless and until in connection with the annual audit, the confirmation requirements shall not have been satisfied in accordance with Rule 300.2(a)(vi). If the audit confirmation requirements for an account have not been satisfied, the margin reduction shall not be allowed until a confirmation is received or a new guarantee agreement is signed by the customer;

(f) A general guarantee in respect of the accounts of a customer, and a guarantee or guarantees from one or more customers in respect of more than one account, will not be accepted unless supported by proper documentation sufficient to establish the identity and liability of each guarantor and the accounts and customers in respect of which each guarantee is given;

(g) A guarantee in respect of an account of a customer shall only be accepted for margin if it directly guarantees the customer's obligations under such account, and a guarantee in respect of an account of a customer who in turn, directly or indirectly, provides a

guarantee in respect of another account shall not be accepted for margin purposes in the latter account;

(h) No guarantee shall be accepted unless it is by enforceable written agreement, binding upon the guarantor, its successors and assigns and personal legal representatives and containing the following minimum terms:

(i) The prompt payment on demand of all present and future liabilities of the customer to the Dealer Member in respect of the identified accounts shall be unconditionally guaranteed on an absolute and continuing basis with the guarantor being jointly and severally liable for the obligations of the customer;

(ii) The guarantee may only be terminated upon written notice to the Dealer Member, provided that such termination shall not affect the guarantee of any obligations incurred prior thereto;

(iii) The Dealer Member shall not be bound to demand from or to proceed or exhaust its remedies against the customer or any other person, or any security held to secure payment of the obligations, before making demand or proceeding under the guarantee;

(iv) The liability of the guarantor shall not be released, discharged, reduced, limited or otherwise affected by (A) any right of set-off, counterclaim, appropriation, application or other demand or right the customer or guarantor may have, (B) any irregularity, defect or informality in any obligation, document or transaction relating to the customer or its accounts, (C) any acts done, omitted, suffered or permitted by the Dealer Member in connection with the customer, its accounts, the guaranteed obligations or any other guarantees or security held in respect thereof including any renewals, extensions, waivers, releases, amendments, compromises or indulgences agreed to by the Dealer Member and including the provision of information by the Dealer Member to the guarantor as permitted in clause (i) of this Rule 100.15, or (D) the death, incapacity, bankruptcy or other fundamental change of or affecting the customer; provided that in the event the guarantor shall be released for any reason from the guarantee it shall remain liable as principal debtor in respect of the guaranteed obligations;

(v) The guarantor waives in favour of the Dealer Member any notices as to the terms and conditions applicable to the customer's accounts or agreements or dealings between the Dealer Member and the customer, or relating in any way to the status or condition or transactions or changes in the customers' accounts, agrees that the accounts as settled or stated between the Dealer Member and the customer shall be conclusive as to the amounts owing, and waives any rights of subrogation until all guaranteed obligations are paid in full;

(vi) All securities, monies, commodity futures contracts and options, foreign exchange contracts and other property held or carried by the Dealer Member for the guarantor shall be pledged or a security interest granted therein to secure the payment of the guaranteed obligations, with the full ability of the Dealer Member to deal with such assets at any time, before or after demand under the guarantee, to satisfy such payment;

(i) The guarantor shall receive from the Dealer Member, at least quarterly, the customer’s account statement or statements, in respect of the accounts to which the guarantee relates, provided the guarantor does not object in writing to receiving such information. The

Dealer Member shall disclose to the guarantor in writing that the suitability of transactions in the customer's account will not be reviewed in relation to the guarantor.

100.15A. Notwithstanding Rule 100.15, prior to reducing margin as permitted under such Rule, a Dealer Member may hedge:

(a) Any long securities positions, other than options, commodity futures contracts or foreign exchange contracts, in the account of a guarantor that guarantees an account of a customer of a Dealer Member in accordance with Rule 100.15 against any short securities positions, other than options, commodity futures contracts and foreign exchange contract positions, in that customer account;

(b) Any long convertible security, including warrants, rights, shares, instalment receipts or other securities pursuant to the terms of which the holder is entitled to currently acquire underlying securities, held in the account of a guarantor that guarantees a customer account against any short positions in the underlying securities held in that customer account; provided that the convertible securities held in the guarantor's account are readily convertible into the related underlying securities held in that customer's account and the number of underlying securities available on conversion shall be equal to or greater than the number of securities sold short;

(c) No hedge shall be accepted for the purposes of this Rule 100.15A unless the Dealer Member obtains from the guarantor a written hedge agreement in a form acceptable to the Corporation that:

(i) Authorizes the Dealer Member to use any and all securities, other than options, commodity futures contracts or foreign exchange contracts, held in long positions in the guarantor's account to hedge any and all short positions in the guaranteed customer account for the purposes of eliminating the margin required on such securities in the customer account;

(ii) Upon the sale of any securities positions that hedges a short position and that creates a margin deficiency in the guaranteed account, the guarantor agrees that the Dealer Member may restrict the guarantor's ability to withdraw any cash or securities from the guarantor's account or otherwise restrict the guarantor's ability to enter into transactions in that account until such deficiency is rectified; and

(iii) The guarantor agrees that the terms of the hedge agreement shall remain in effect as long as any hedge positions between the two accounts remain in effect.

100.16. In determining the margin deficiency of the account of any client for the purposes of the Rules, a guarantee in respect of the account shall not be accepted for margin purposes unless and until, in connection with the annual audit of the Dealer Member conducted in accordance with Rule 300, a satisfactory response to a positive confirmation request, if any, shall have been received or any alternative verification procedures have confirmed the guarantee to the satisfaction of the Dealer Member or its auditor.

100.17.

(a) For the purposes of this Rule 100.17 "repo" means an agreement to sell and repurchase securities, "reverse repo" means an agreement to purchase and resell securities and "securities loan" means a cash and securities loan agreement where cash is to be paid by or delivered to the Dealer Member as part of the transaction.

(b) Notwithstanding the requirements of Form 1 to make any provision out of a Dealer Member's capital in respect of a repo, reverse repo or securities loan, where (i) the date of

repurchase, resale or termination of the loan, as the case may be, is determined at the time of entering into the transaction, and (ii) the amount of any compensation, price differential, fee, commission of other financing charge to be paid in connection with the repurchase, resale or loan is calculated according to a fixed rate (whether expressed as a price, a decimal or percentage per annum or any other manner that does not vary until termination), the margin in respect of the obligation of the Dealer Member thereunder shall be determined in accordance with Rule 100.2(a)(i), provided that this paragraph (b) shall not apply in the case of an overnight repo, reverse repo or securities loan which for the purposes of this Rule shall be an obligation to repurchase, resell or terminate the loan within five business days of the date the obligation is assumed. All calculations must be performed daily and shall make full provision for any principal and return of capital then payable, all accrued interest, dividends or other distributions on securities used as collateral.

(c) Where a Dealer Member (i) has entered into a repo, reverse repo or securities loan described in paragraph (b) and in respect of which the time to the date of repurchase, resale or termination of the loan, as the case may be, is over one year, and (ii) has an offsetting reverse repo, repo or securities loan denominated in the same currency and within the same margin category based on maturity, the two positions may be offset and the required margin computed with respect to the net position only.

(d) Where a Dealer Member (i) has entered into a repo, reverse repo or securities loan described in paragraph (b) in respect of which the time to the date of repurchase, resale or termination of the loan is within one year, and (ii) has an offsetting reverse repo, repo or securities loan, as the case may be, denominated in the same currency and maturing within one year, the margin required shall be the difference between the margin on the two positions.

100.18. Instalment Receipts

(a) For the purposes of this Rule 100.18

(i) "Instalment Receipts" means a security issued by or on behalf of an issuer or selling security holder that evidences partial payment for an underlying security and that requires one or more subsequent payments by instalment in order to entitle the holder of the instalment receipt to delivery of the underlying security;

(ii) "Underlying Security" means the security of an issuer purchased pursuant to an instalment receipt; and

(iii) "Future Payments" means the unpaid payment or payments of the purchase price of an underlying security pursuant to an instalment receipt.

(b) No Dealer Member shall purchase or hold an instalment receipt which requires the Dealer Member, or any nominee or holder for the Dealer Member including The Canadian Depository for Securities Limited or other depository (collectively a "nominee"), to make any payment pursuant to an instalment receipt (other than a payment made for the Dealer Member's own account as beneficial owner of the instalment receipt) unless the agreement pursuant to which the instalment receipts are created and issued permits the Dealer Member or its nominee to be released from the requirement to make any such payment either by (A) transfer of such instalment receipt to a person other than the Dealer Member if there is a failure to pay in full any instalment when due, and such transfer can take place at any time prior to the close of business (Toronto time) on the second business day after default in payment of any instalment and prior to the time the issuer's or selling security holder's rights with respect to non-payment of such instalment

can be enforced; or (B) such other mechanism as may from time to time be approved by the Executive Committee of the Corporation.

(c) If there has been a failure to pay any instalment in full when due under an instalment receipt and such instalment receipt is registered in the name of the Dealer Member or its nominee, for the account of the client, such Dealer Member shall forthwith, and in any event, within the time permitted by the relevant agreement pursuant to which the instalment receipts were created and issued take such steps as are necessary for the Dealer Member to be released from the requirement to make any payment thereunder including, if relevant, causing such instalment receipt to be transferred to a person other than the Dealer Member.

(d) Subject to sub-sections (e) and (f) below, the margin required for an instalment receipt held in inventory or a client account shall be the margin applicable to the underlying security.

(e) The margin required for instalment receipts in a client account shall not exceed the market value of the instalment receipt.

(f) Where the future payments exceed the market value of the underlying security the margin required for an instalment receipt held in inventory shall be the margin applicable for the underlying security plus (except in the case of a short position) the amount by which the future payments exceed the market value of the underlying security.

100.19. When Issued Trading of New and Additional Issues

(a) Margin for Sales

(i) Short positions

Margin for short positions resulting from short sales of a security traded on a when issued basis shall be calculated on the market value of the securities sold as required by the relevant provisions of Rule 100.2(f)(i) relating to short positions. Margin shall be posted on the third settlement day after the trade of the short sale.

(ii) Hedged Positions Resulting From the Sale on a When Issued Basis of a Security Previously Purchased on a When Issued Basis

When a person who has purchased a security to be issued pursuant to prospectus subsequently sells such security on a when issued basis, margin shall be calculated on the market value of the security purchased as required by the relevant provisions for long positions in Rule 100.2(f)(i) and shall be posted on the third settlement day after the sale.

(iii) Sales on a When Issued Basis for Settlement in the Regular Market

If a person who is deemed to own a security posted for trading on a when issued basis subsequently sells such security in the regular market and the trade occurs prior to the issuance or distribution of such security, margin shall be calculated on the market value of the securities sold as required by the relevant provisions in Rule 100.2(f)(i) relating to margin for short positions. Margin shall be posted three settlement days after the trade date.

(b) Purchases of When Issued Securities

Margin for purchases of securities on a when issued basis that have not been sold subsequently on a when issued basis shall be calculated as required by the relevant provisions in Rule 100.2(f)(i) relating to long positions. Margin shall be posted on the

later of three settlement days after the trade date or the date of the issuance or distribution of the security.

(c) Margin for Dealer Member Sales or Purchases on a When Issued Basis

Notwithstanding the foregoing, margin for Dealer Member purchases or sales on a when issued basis shall be calculated and posted on a trade date basis.

(d) For the purposes of the Rules, "trading on a when issued basis" or "when issued trades" means purchases or sales of a security to be issued pursuant to:

(i) A prospectus offering where a receipt for a (final) prospectus for the security has been issued but the offering has not closed and settled;

(ii) A proposed plan of arrangement, an amalgamation or a take-over bid prior to the date of issuance of the security pursuant to the amalgamation, arrangement or take-over bid; or

(iii) Any other transaction that is subject to the satisfaction of certain conditions where trading of the security on a when issued basis would not contravene the *Securities Act* (Ontario).

100.20. Concentration of Securities

(a) For the purposes of this paragraph:

(i) "Amount Loaned" includes:

(A) In respect of long positions:

1. The loan value of long securities in margin accounts on settlement date;

2. The loan value of long securities in a regular settlement cash account when any portion of the account is outstanding after settlement date;

3. The loan value of long securities in a delivery against payment cash account when such securities are outstanding after settlement date;

4. The loan value of long inventory positions on trade date; and

5. The loan value of new issues carried in inventory 20 business days after new issue settlement date.

(B) In respect of short positions:

1. The market value of short positions in margin accounts on settlement date;

2. The market value of short positions in a regular settlement cash account when any portion of the account is outstanding after settlement date;

3. The market value of short positions in a delivery against payment cash account when such securities are outstanding after settlement date; and

4. The market value of short inventory securities on trade date.

(ii) "Security" includes:

(A) all long and short positions in equity and convertible securities of an issuer; and

(B) all long and short positions in debt or other securities, other than debt securities with a margin requirement of 10% or less.

(iii) "Risk Adjusted Capital" means a Dealer Member's risk adjusted capital as calculated before the securities concentration charge (Statement B, Line 25 on Form 1) plus minimum capital (Statement B, Line 6 of Form 1).

(b) For the purposes of calculating the amount loaned:

(i) Security positions that qualify for margin offsets pursuant to Rule 100, as applicable, may be netted;

(ii) Separate calculations must be made for long security positions and short security positions. The greater of the long or short position must be used in the calculations below;

(iii) In calculating the total amount loaned for each customer on long (or short) positions on any one security, there may be deducted from the loan value (market value) of the long (or short) position:

(A) Any excess margin in the customer's account; and

(B) 25% of the market value of long positions in any non-marginable securities in the account provided such securities are carried in readily saleable quantities only.

(iv) In calculating the amount loaned on long positions for a customer, where such customer (the "guarantor" has guaranteed another customer account (the "guaranteed account"), any securities in the guarantor's account which are used to reduce margin required in the guaranteed account in accordance with Rule 100.14, shall be included in calculating the amount loaned on each security for the purposes of the guarantor's account;

(v) The values of trades made with acceptable institutions, acceptable counterparties and regulated entities that are outstanding 10 business days past settlement date and are:

(A) Not confirmed for clearing through a recognized clearing corporation; or

(B) Not confirmed by the acceptable institution, acceptable counterparty or a regulated entity,

Must be included in the calculation below in the same manner as delivery against payment cash accounts; and

(vi) The value of trades made with a financial institution that is not an acceptable institution, acceptable counterparty or regulated entity, outstanding less than 10 business days past settlement date, may be excluded from the calculation below if each such trade was confirmed on or before settlement date with a settlement agent that is an acceptable institution or acceptable counterparty.

(c)

(i) Subject to subclause (ii) below, where the total amount loaned by a Dealer Member on any one security for all customers and/or inventory accounts, as

calculated hereunder, exceeds an amount equal to two-thirds of the sum of the Dealer Member's risk adjusted capital, before securities concentration charge and minimum capital, as most recently calculated for more than five business days, an amount equal to 150% of the excess of the amount loaned over two-thirds of the sum of the Dealer Member's risk adjusted capital, before securities concentration charge and minimum capital (Statement B, Line 6 of Form 1), shall be deducted from the risk adjusted capital of the Dealer Member. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the security for which the charge is incurred.

(ii) Notwithstanding subclause (i) above, where the loaned security issued by

(A) The Dealer Member, or

(B) A company, where the accounts of a Dealer Member are included in the consolidated financial statements and where the assets and revenues of the Dealer Member constitute more than 50% of the consolidated assets and 50% of the consolidated revenue, respectively, the company, based on the amounts shown in the audited consolidated financial statements of the company and the Dealer Member for the preceding fiscal year,

And the total amount loaned by the Dealer Member on any one such security, as calculated hereunder, exceeds an amount equal to one third of the Dealer Member's risk adjusted capital before securities concentration charge plus minimum capital as most recently calculated for more than five business days, an amount equal to 150% of the excess of the amount loaned over one-third of the sum of the Dealer Member's risk adjusted capital before securities concentration charge and minimum capital shall be deducted from the risk adjusted capital of the Dealer Member.

(d) Where the total amount loaned by a Dealer Member on any one security for all customers and/or inventory accounts as calculated hereunder exceeds an amount equal to one half of the sum of the Dealer Member's risk adjusted capital before securities concentration charge and minimum capital as most recently calculated, and the amount loaned on any other security which is being carried by a Dealer Member for all customers and/or inventory accounts as calculated hereunder, exceeds an amount equal to one-half of the sum of the Dealer Member's risk adjusted capital before securities concentration charge and minimum capital as most recently calculated for more than five business days, an amount equal to 150% of the excess of the amount loaned on the other security over one-half of the Dealer Member's risk adjusted capital shall be deducted from the risk adjusted capital of the Dealer Member. For long positions, the concentration charge as calculated herein shall not exceed the loan value of the security for which the charge is incurred.

(e) For the purposes of calculating the concentration charges as required by paragraphs (c) and (d) above, such calculations shall be performed for the first five securities in which there is a concentration.

(f) Where the capital charges described in subsections (c) and (d) would result in a capital deficiency or a violation of the rule permitting designation in early warning pursuant to Rule 30, the Dealer Member must report the over-concentration situation to the appropriate Joint Regulatory Bodies on the date the over-concentration first occurs.

100.21. Maximum margin required for Convertible Securities

The margin required for a security that is currently convertible or exchangeable into another security (the "underlying security") need not exceed the sum of:

(a) the margin required under this Rule for the underlying security; and

(b) any excess of the market value of the convertible/exchangeable security over the market value of the underlying security.

RULE 200

MINIMUM RECORDS

200.1. As required under Rule 17.2 every Dealer Member shall make and keep current books and records necessary to record properly its business transactions and financial charts including, without limitation:

(a) Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all trades in commodity futures contracts and commodity futures contract options, all receipts and disbursements of cash and all other debits and credits. Such records shall show the account for which each such transaction was effected, the trade dates and

In the case of trades in securities,

(1) The name, class and designation of securities,

(2) The number, value or amount of securities and the unit and aggregate purchase or sale price (if any), and

(3) The name or other designation of the person from whom the securities were purchased or received or to whom they were sold or delivered;

In the case of trades in commodity futures contracts,

(4) The commodity and quantity bought or sold,

(5) The delivery month and year,

(6) The price at which the contract was entered into,

(7) The commodity futures exchange, and

(8) The name of the dealer if any, used by the Dealer Member as its agent to effect the trade; and

In the case of trades in commodity futures contract options,

(9) The type and number,

(10) The premium,

(11) The commodity futures contract that is the subject of the commodity futures contract option,

(12) The delivery month and year of the commodity futures contract that is the subject of the commodity futures option,

(13) The declaration date,

(14) The striking price,

(15) The commodity futures exchange, and

(16) The name of the dealer, if any, used by the Dealer Member as its agent to effect the trade;

(b) A general ledger (or other records) maintained in detail reflecting all assets and liabilities, income and expense and capital accounts;

(c) Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer, all purchases, sales, receipts, deliveries and other trades of securities, commodity futures contracts and commodity futures contract options for such account and all other debits and credits to such account, and with respect to all securities and property received to margin, guarantee or secure the trades or contracts of customers,

(1) A description of the securities or property received,

(2) The date when received,

(3) The identity of any deposit institution where such securities or property are segregated,

(4) The dates of deposit and withdrawal from such institutions, and

(5) The date of return of such securities or property to the customer or other disposition thereof, together with the facts and circumstances of such other disposition,

And with respect to any investments of such money, proceeds or funds segregated for the benefit of the customers,

(6) The date of which such investments were made,

(7) The identity of the person or company through or from whom such securities were purchased,

(8) The amount invested,

(9) A description of the securities invested in,

(10) The identity of the deposit institution, other dealer or dealer registered under any applicable securities legislation where such securities are deposited,

(11) The date of liquidation or other disposition and the money received on such disposition, and

(12) The identity of the person or company to or through whom such securities were disposed;

In addition, statements must be sent to customers on at least the following basis: monthly for all customers in whose account there was an unexpired and unexercised commodity futures contract option, open commodity futures contract, or exchange contract at the month end; monthly for all customers who have affected a transaction, or the Dealer Member has modified the balance of securities or cash in the customer’s account, unless the entries refer to dividends or interest; quarterly for all customers having any debit or credit balance or securities held (including securities held in safekeeping or in segregation) at the end of the quarter. Such monthly statements shall set forth at least in the case of customers with any unexpired and unexercised commodity futures contract option, open commodity futures contract, or exchange contract,

(1) The opening cash balance for the month in the customer's account,

(2) All deposits, credits, withdrawals and debits to the customer's account,

(3) The cash balance in the customer's account,

(4) Each unexpired and unexercised commodity futures contract option,

(5) The striking price of each unexpired and unexercised commodity futures contract option,

(6) Each open commodity futures contract,

(7) The price at which each open commodity futures contract was entered into.

In addition, a Dealer Member which has acted as an agent in connection with a liquidating trade in a commodity futures contract shall promptly send to customers a statement of purchase and sale setting forth at least:

(1) The dates of the initial transaction and liquidating trade,

(2) The commodity and quantity bought and sold,

(3) The commodity futures exchange upon which the contracts were traded,

(4) The delivery month and year,

(5) The prices on the initial transaction and on the liquidating trade,

(6) The gross profit or loss on the transactions,

(7) The commission, and

(8) The net profit or loss on the transactions.

Each such statement shall, in respect of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, state that the securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be. For the purposes of this paragraph, the terms "related issuer" and "connected issuer" shall have the same meaning as ascribed to them in the Regulation made under the *Securities Act* (Ontario).

(d) Ledgers (or other records) reflecting the following:

(1) Securities in transfer;

(2) Dividends and interest received;

(3) Securities borrowed and securities loaned;

(4) Monies borrowed and monies loaned (together with a record of the collateral therefor and any substitutions in such collateral);

(5) Securities failed to receive and failed to deliver;

(6) Money, securities and property received to margin, guarantee or secure the trades or contracts of customers, and all funds accruing to customers, which must be segregated for the benefit of customers under any applicable legislation;

(e) A securities record or ledger reflecting separately for each security as of the trade or settlement dates all long and short positions (including securities in safekeeping) carried for the Dealer Member's account or for the account of customers, showing the location of all securities long and the offsetting position to all securities short and in all cases the name or designation of the account in which each position is carried;

(f) A commodity record or ledger showing separately for each commodity as of the trade date all long positions or short positions in commodity futures contracts carried for the Dealer Member's account or for the account of customers and, in all cases, the name or designation of the account in which each position is carried;

(g) An adequate record of each order, and of any other instruction, given or received for the purchase or sale of securities or with respect to a trade in a commodity futures contract or a commodity futures contract option, whether executed or unexecuted, showing:

(1) The terms and conditions of the order or instruction and of any modification or cancellation thereof,

(2) The account to which the order or instruction relates,

(3) The time of entry of the order or instruction and, where the order is entered pursuant to the exercise of discretionary power of a Dealer Member, a statement to that effect,

(4) Where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed, and the allocation among the component accounts intended on execution,

(5) Where the order or instruction is placed by an individual other than,

A. The person in whose name the account is operated, or

B. An individual duly authorized to place orders or instructions on behalf of a customer that is a company,

The name, sales number or designation of the individual placing the order or instruction,

(6) To the extent feasible, the time of execution or cancellation,

(7) The price at which the order or instruction was executed, and

(8) The time of report of execution;

(h) Copies of confirmations of all purchases and sales of securities and of all trades in commodity futures contracts and commodity futures contract options and copies of notices of all other debits and credits of money, securities, property, proceeds of loans and other items for the account of customers. Such written confirmations are required to be sent promptly to customers and shall set forth at least the day and the stock exchange or commodity futures exchange upon which the trade took place; the commission, if any, charged in respect of the trade; the fee or other charge, if any, levied by any securities regulatory authority in connection with the trade; the name of the salesman, if any, in the transaction; the name of the dealer, if any, used by the Dealer Member as its agent to effect the trade; and,

In the case of a trade in securities:

(1) The quantity and description of the security,

(2) The consideration,

(3) Whether or not the person or company registered for trading acted as principal or agent,

(4) If acting as agent in a trade upon a stock exchange the name of the person or company from or to or through whom the security was bought or sold,

In the case of trades in commodity futures contracts:

(5) The commodity and quantity bought or sold,

(6) The price at which the contract was entered into,

(7) The delivery month and year,

In the case of trades in commodity futures contract options:

(8) The type and number of commodity futures contract options,

(9) The premium,

(10) The delivery month and year of the commodity futures contract that is the subject of the commodity futures contract option,

(11) The declaration date,

(12) The striking price;

And in the case of trades in mortgage-backed securities and subject to the proviso below:

(13) The original principal amount of the trade,

(14) The description of the security (including interest rate and maturity date),

(15) The remaining principal amount (RPA) factor,

(16) The purchase/sale price per $100 of original principal amount,

(17) The accrued interest,

(18) The total settlement amount,

(19) The settlement date,

Provided that in the case of trades entered into from the third clearing day before month end to the fourth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in clauses (13), (14), (16) and (19) and indicating that the information in clauses (15), (17) and (18) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above;

And in the case of stripped coupons and residual debt instruments:

(20) The yield thereon calculated on a semi-annual basis in a manner consistent with the yield calculation for the debt instrument which has been stripped,

(21) The yield thereon calculated on an annual basis in a manner consistent with the yield calculation for other debt securities which are commonly regarded as being competitive in the market with such coupons or residuals such as guaranteed investment certificates, bank deposit receipts and other indebtedness for which the term and interest rate is fixed.

Each such confirmation shall, in respect of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, state that the securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be. For the purposes of this paragraph, the terms "related issuer" and "connected issuer" shall have the same meaning as ascribed to them in the Regulation made under the *Securities Act* (Ontario).

In the case of a Dealer Member controlled by or affiliated with a financial institution, the relationship between the Dealer Member and the financial institution shall be disclosed

on each confirmation slip in connection with a trade in securities of a mutual fund sponsored by the financial institution or a corporation controlled by or affiliated with the financial institution.

The Corporation's policies with respect to electronic delivery of documents are set out in the applicable guideline.

Notwithstanding the provisions of this Rule 200.1(h), a Dealer Member shall not be required to provide a confirmation to a client in respect of a trade in a managed account, provided that:

(i) Prior to the trade, the client has consented in writing to waive the trade confirmation requirement;

(ii) The client may terminate a waiver by notice in writing. The termination notice shall be effective upon receipt of the written notice by the Dealer Member, for trades following the date of receipt;

(iii) The provision of a confirmation is not required under any applicable securities law, regulation or policy of the jurisdiction in which the client resides or the Dealer Member has obtained an exemption from any such law, regulation or policy by the responsible securities regulatory authority; and

(iv)

(a) where a person other than the Dealer Member manages the account

(A) a trade confirmation has been sent to the manager of the account, and

(B) the Dealer Member complies with the requirements of Rule 200.1(c); or

(b) where the Dealer Member manages the account:

(A) the account is not charged any commissions or fees based on the volume or value of transactions in the account;

(B) the Dealer Member sends to the client a monthly statement that is in compliance with Rule 200.1(c) and contains all of the information required to be contained in a confirmation under this Rule 200.1(h) except:

(1) the day and the stock exchange or commodity futures exchange upon which the trade took place;

(2) the fee or other charge, if any, levied by any securities regulatory authority in connection with the trade;

(3) the name of the salesman, if any, in the transaction;

(4) the name of the dealer, if any, used by the Dealer Member as its agent to effect the trade; and,

(5) if acting as agent in a trade upon a stock exchange the name of the person or company from or to or through whom the security was bought or sold,

(C) the Dealer Member maintains the information not required to be in the monthly statement pursuant to paragraph (B) and discloses

to the client on the monthly statement that such information will be provided to the client on request.

(i) A record in respect of each cash and margin account:

(1) The name and address of the beneficial owner (and guarantor, if any) of such account,

(2) In the case of a margin account a properly executed margin agreement containing the signature of such owner (and guarantor, if any), and

(3) Where trading instructions are accepted from a person or corporation other than the customer, written authorization or ratification from the customer naming the person or company,

But, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account;

(j) A record of all puts, calls, spreads, straddles and other options in which the Dealer Member has any direct or indirect interest or which the Dealer Member has granted or guaranteed, containing at least an identification of the security and the number of units involved;

(k) A record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of risk adjusted capital. Such trial balances and computations shall be prepared currently at least once a month;

(l) A record of all margin calls whether such calls are made in writing, by telephone or other means of communication;

(m) a record of the proof of money balances of all ledger accounts in the form of trial balances and record of a reasonable calculation of minimum risk adjusted capital prepared for each month within a reasonable time after each month end; and

(n) A record of all communications required or made in respect of account transfers pursuant to Rule 2300.

Guide to interpretation of Rule 200.1

Rule 200.1 specifies the various items of information which must be reflected on the firm's books as required by the applicable provincial securities legislation. The Rule does not require the various books and records to be kept in any prescribed form. It is expected, however, that the means of recording the information will be complemented by appropriate internal controls to guard against the risk of falsification and will make available clear and accurate information to the Corporation within a reasonable length of time.

(a) "Blotters"

This term was historically used to describe a dealer's or broker's books of original entry of daily transactions as principals or on behalf of customers. Larger firms now maintain separate data files and daily reports to record each type of transaction such as purchases versus sales, unlisted securities, bonds, cash receipts, cash disbursements and stock record journals.

Blotters generally should record on purchases and sales the party on the other side, security description, quantity, price, accrued interest, commission, settlement amount, trade date, settlement date and the account for which the transaction was done.

(b) "General Ledger"

The general ledger is the primary financial record of the company in which all assets, liabilities, capital, income and expense accounts are summarized. The general ledger is the basis for preparing financial statements and regulatory reports as required by the self-regulatory organizations. Entries made to the general ledger are derived from the various blotters and sub ledgers referred to in section (a) of Rule 200.1.

(c) "Cash, Margin and Firm Accounts"

Accounts must show all trades, settlement dates, cash disbursements and receipts and deliveries or receipts of securities or commodities. This section requires that customer account sub ledgers be kept for each customer cash and margin account and firm inventory account. Monthly statements must be produced for each active account showing a date column, quantity of securities bought or sold, security description and cash debits or credits.

In addition, statements must show the dollar balance carried forward from the previous statement; all entries shown in the account since the previous statement date; and the final dollar balance and the security position as of the statement date. The statements must also indicate the items included in the final security position which are held in safekeeping.

For purposes of Rule 200.1 only, the definition of "customer" includes the investing public, financial institutions, other investment dealers and stock brokers, affiliates and partners, shareholders, directors, officers and employees of a Dealer Member firm and its affiliates.

Dealer Members not depositing customers' free credit balances in a trust bank account should refer to Rule 1200.1 for details of the special notation that must be affixed to all statements sent to customers.

(d) "Secondary or Subsidiary Records"

These records are made up from the blotters or other records of original entry. A brief description of such subsidiary records follows:

(i) "Securities in Transfer"

The purpose of this item of Rule 200.1 is to require the keeping of a record showing all securities "sent to and held by transfer agents". This record usually shows the number of shares or the par value, name of security, name in which it was registered, new name, date sent out to transfer, old certificate number, date received back from transfer, new certificate numbers and date on new certificate.

(ii) "Dividends and Interest Received"

For the purpose of this item of Rule 200.1 it is necessary that a record be maintained by the firm with respect to interest or dividends paid on bonds or stocks, held by the Dealer Member for the customers but registered in some name other than that of the customer. The general practice, which would represent compliance with the rule, is to record on a ledger the security, the record date, the ex-dividend date, the payable date and the entitlement rate. The information is then recorded on the dividend sub ledger. All customers who are "long" are credited with their share of the funds received by the firm on account of the dividend or interest. All customers who are "short" on the dividend record date or the interest payable date are charged with the amount payable on their short

position. All bearer securities in the firm's possession or in hypothecation on the record or interest date must be examined to determine against whom the firm must claim for payment.

(iii) "Securities Borrowed and Securities Loaned"

In borrowing securities or in lending securities to other dealers or brokers, it is necessary to enter such transactions in borrowed or loaned accounts set up for each customer. The securities borrowed or loaned account records the date borrowed or date loaned, name of firm from whom borrowed or to whom loaned, quantity, name of security, certificate numbers and the date returned. In some cases, these records also provide an additional column showing the interest rate or premium on stock borrowed or loaned and any collateral provided or received.

(iv) "Monies Borrowed and Monies Loaned, Etc."

A record must be kept of all borrowings. This record should show the name of the customer, the date, the interest rate, the amount of the loan, terms of the loan, and the date when the loan is made and when repaid. The number of shares, or principal amount in the case of bonds, name of the security, and certificate numbers of securities pledged as collateral must be recorded.

(v) "Securities Failed to Receive or Deliver"

These are subsidiary records and are based on information contained on the blotters or other records of original entry. Upon learning that a dealer or broker will fail to deliver on the settlement day, either under the agreement between the buyer and the seller or under clearing house rules, this item requires that records must be kept which show the "fail date" (i.e. the date on which delivery was due but not made), name of security, purchase price, broker or dealer from whom delivery is due, and date received. Conversely, when the firm fails to deliver, it must record the date on which delivery was due, number of shares or principal amount of bonds), name of security, to whom sold, sales price and date on which delivery is made. The total dollar amount of open items on the "fail to receive" and "fail to deliver" records should agree with the "fail to receive" and "fail to deliver" accounts in the firm's general ledger kept pursuant to section (b) of Rule 200.1.

(e) & (f)"Securities and Commodity Record or Ledger"

These sections require that the securities and commodity record be posted currently to show all positions no later than the settlement date. The record may, of course, be posted on the "trade" or execution date or any other date prior to the settlement date. Dealer Members may keep separate "securities and commodity records" or "position records" as they are often called, for equities, debt, options and for commodities. The record should show the name of the security, the customers' and other accounts which are "long" and "short" that security, the daily changes in their position, the location of each security, and the total of the long or short position for the account of customers and the firm and partners. This record should be reviewed frequently to ensure it is "in balance" (i.e. for each security or commodity the total long positions should equal the total short positions).

(g) "Memoranda of Orders"

In this section the term "instruction" shall be deemed to include instructions between partners or directors and employees of a Dealer Member. The term "time of entry" is

specified to mean the time when the Dealer Member transmits the order or instruction for execution, or if it is not so transmitted, the time when it is received.

(h) "Confirmations"

The provincial securities commissions require that every person or company registered for trading in securities who has acted as principal or agent in connection with any trade in a security shall promptly send or deliver to the customer a written confirmation of the transaction, setting forth the details required in this section of Rule 200.1. A person or company or a salesperson may be identified in a written confirmation by means of a code or symbols if the written confirmation also contains a statement that the name of the person, company or salesperson will be furnished to the customer on request.

(i) "Records of Cash and Margin Accounts"

A margin agreement between a Dealer Member and a customer shall define at least the following:

(i) The obligation of the customer in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security;

(ii) The obligation of the customer in respect of the payment of interest on debit balances in his or her account;

(iii) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the customer's account;

(iv) The extent of the right of the Dealer Member to make use of free credit balances in the customer's account;

(v) The rights of the Dealer Member in respect of the realization of securities and other assets held in the customer's account and in respect of purchases to cover short sales, and whether any prior notice is required, and if notice be required, the nature and extent of it and the obligations of the customer in respect of any deficiency;

(vi) The extent of the right of the Dealer Member to utilize a security in the customer's account for the purpose of making a delivery on account of a short sale;

(vii) The extent of the right of the Dealer Member to use a security in the customer's account for delivery on a sale by the Dealer Member for his or her or its own account or for any account in which the Dealer Member, any partner therein or any director thereof, is directly or indirectly interested;

(viii) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the customer's account and to hold the same as collateral security for the customer's indebtedness; and

(ix) That all transactions entered into on behalf of the customer shall be subject to the Rules of the Investment Industry Regulatory Organization of Canada and/or any securities exchange if executed thereon.

(j) "Puts, Calls, and Other Options"

Such a record may be kept in any suitable form which shows the date, details regarding the option, name of security, number of shares, and the expiration date; letters pertaining

to such options, including those received from and addressed to customers, should be kept together with the record.

(k) & (m)"Monthly Trial Balances and Capital Computations"

Such trial balances and computations will serve as a check upon the current status and accuracy of the ledger accounts which Dealer Members are required to maintain and keep current and will also help to keep Dealer Members currently informed of their capital positions as required under Rule 17.1.

A Dealer Member must keep currently informed as to the excess capital position and make a computation as often as necessary to ensure that there is adequate capital at all times; but Dealer Members must preserve only the monthly computation mentioned above. On the other hand, Dealer Members whose capital position is substantially in excess of that required, may omit detailed schedules and analyses in support of the computation if they apply a more stringent application of the Rule governing the computation.

For example, when calculating risk adjusted capital, inventories can be grouped into broader margin categories and maximum margin rates applied; offsetting provisions such as those contained in Rule 100.4 can be ignored; and assets partly allowable or of questionable value can be excluded in their entirety.

When a Dealer Member cannot prove that adequate capital exists, the firm must notify the Corporation immediately.

(n) "Account Transfers"

Documentation required pursuant to Rule 2300 in respect of customer account transfers is expected to be by means of electronic communication. In order to protect Dealer Members and customers on account transfers and to ensure that such transfers are effected expeditiously, Dealer Members must ensure that copies of all communications sent or received in respect of account transfers are maintained in an accurate, secure and readily accessible format.

RULE 300

AUDIT REQUIREMENTS

300.1. The audit under Rule 16 shall be conducted in accordance with generally accepted auditing standards and shall include a review of the accounting system, the internal accounting control and procedures for safeguarding assets. It shall include all audit procedures necessary under the circumstances to support the opinions which must be expressed in the Dealer Member's Auditor's reports of Parts I and II of Form 1. Because of the nature of the industry, the substantive audit procedures relating to the financial position must be carried out as of the audit date and not as of an earlier date, notwithstanding that the audit is otherwise conducted in accordance with generally accepted auditing standards.

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

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

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

The determination of an appropriate sample on a representative basis may be made using either statistical or non-statistical methods (CICA Handbook Section 5300.15).

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

The Dealer Member's Auditor shall:

(a) As of the audit date:

(i) Compare ledger accounts with the trial balances obtained from the general and subsidiary ledgers and prove the subsidiary ledger totals with their respective control accounts (see Rule 300.4 below re Electronic Data Processing);

(ii) Account for, by physical examination and comparison with the books and records, all securities, including those held in safekeeping or in segregation, currencies and other like assets on hand, in vault or otherwise in the physical possession of the Dealer Member. Where the nature and size of a Dealer Member's operation is such that there are employees who are independent of those employees who handle or record securities, such independent employees may undertake all or a portion of the count and examination under the Dealer Member's Auditor's supervision. The Dealer Member's Auditor should test count and compare with the independent employees' counts and the security position records, sufficient securities so as to be satisfied that the entire count was materially correct. The Dealer Member's Auditor must maintain control over these assets until the physical examination has been completed;

(iii) On a test basis, verify securities in transfer and in transit between offices of the Dealer Member;

(iv) Review the balancing of all security positions and open commodity and option contracts. Review the reconciliation of all mutual funds, brokers, dealers and clearing accounts. Where a position or account is not in balance according to the records (after adjustment to the physical count), ascertain that an adequate provision has been made in accordance with the Notes and Instructions for out of balance positions embodied in Statement B of the Joint Regulatory Financial Questionnaire and Report for any potential loss;

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

(vi) Ensure that all custodial agreements are in place for securities lodged with acceptable locations. In addition, for locations classified as other foreign securities locations, the Auditor must obtain evidence, on an annual basis of the approval of such locations as documented in the minutes of the board of directors and/or other duly constituted board committee meetings of the Dealer Member;

(vii) Obtain written confirmation with respect to the following:

(1) Bank balances and other deposits including hypothecated securities;

(2) Money, security positions and open commodity and option contracts including deposits with clearing houses and like organizations and money and security positions with mutual fund companies;

(3) Money and securities loaned or borrowed (including subordinated loans) together with details of collateral received or pledged, if any;

(4) Accounts of or with brokers or dealers representing regular, joint and contractual commitment positions including money and/or security positions and open commodity and option contracts;

(5) Accounts of directors and officers or partners, including money and/or security positions and open commodity and option contracts;

(6) Accounts of clients, employees and shareholders, including money and/or security positions and open commodity and option contracts;

(7) Guarantees in cases where required to margin (protect) accounts guaranteed either during or as at the end of the year subject to audit;

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

(9) All other accounts which in the opinion of the Dealer Member's Auditor should be confirmed;

Compliance with the confirmation requirements shall be deemed to have been made if positive requests for confirmation have been mailed by the Dealer Member's Auditor in an envelope bearing the Auditor’s return address and second requests are similarly mailed to those not replying to the initial request. Appropriate alternative verification procedures must be used where replies to

second requests have not been received. For accounts mentioned in (4), (6) and (7) above, the Dealer Member's Auditor shall (i) select specific accounts for positive confirmation based on (a) their size (all accounts with equity exceeding a certain monetary amount, with such amount being related to the level of materiality) and (b) other characteristics such as accounts in dispute, accounts that are significantly undermargined, nominee accounts, and accounts that would require significant margin during the year or as at year-end without the existence of an effective guarantee, and (ii) select a representative sample from all other accounts of sufficient extent to provide reasonable assurance that a material error, if it exists, will be detected. For accounts in (4), (6) and (7) above that are not confirmed positively, the Dealer Member's Auditor shall mail statements with a request that any differences be reported directly to the auditor. Clients' accounts without any balance whatsoever and those closed since the last audit date shall also be confirmed on a test basis using either positive or negative confirmation procedures, the extent to be governed by the adequacy of the system of internal control;

Where a reply to a positive confirmation request for a guarantee in (7) above has not been received, the guarantee shall not be accepted for margin purposes in respect of the account guaranteed unless and until a written form of confirmation of the guarantee has been received by the Dealer Member's Auditor (or by the Dealer Member if subsequent to the filing of the Joint Regulatory Financial Questionnaire and Report), or a new guarantee agreement is signed by the customer. If a guarantor responds to a positive or negative confirmation disputing the validity of the guarantee or the extent of the guarantee, such guarantee shall not be accepted for margin purposes until the dispute is resolved and the confirmation of the guarantee is provided in acceptable form. In addition to the confirmation procedures, the Dealer Member's Auditor should review a sample of guarantee agreements to ensure duly executed and completed agreements exist and such agreements comply with the minimum requirements of Rule 100.15(h);

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

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

(b) Check on a test basis that the Dealer Member's procedures are such that securities held for safekeeping are described on both statements rendered to the client and on the Dealer Member's security position record as being so held;

(c) Complete and report on the results of applying the prescribed procedures contained in the Report on Compliance for Segregation of Securities in the Joint Regulatory Financial Questionnaire & Report.

300.3. In addition, the Dealer Member's Auditor shall:

(a) Complete and report on the results of applying the prescribed procedures contained in the Report on Compliance for Insurance in the Joint Regulatory Financial Questionnaire & Report;

(b) Report whether the Exchange seats operated by the Dealer Member are owned outright and free of any encumbrance; and

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

300.4. The Dealer Member's Auditors' review of the accounting system, the internal accounting control and procedures for safeguarding securities prescribed in the above Audit Requirements should encompass any in-house or service bureau EDP operations. (This may include reliance on CICA Handbook Section 5900 report "Opinions on Control Procedures at a Service Organization). As a result of such review and evaluation the Dealer Member's Auditor may be able to reduce the extent of detailed checking of clients and other account statements to trial balances and security position records.

300.5. Copies of the Form 1 and all audit working papers shall be retained by the Dealer Member's Auditor for 6 years. The two most recent years shall be kept in a readily accessible location. All working papers shall be made available for review by the Corporation and the Canadian Investor Protection Fund.

300.6. If the Dealer Member's Auditor observes during the regular conduct of his or her audit any material breach of the Rules pertaining to the calculation of the Dealer Member's financial position, handling and custody of securities and maintenance of adequate records he or she shall make a report to the Corporation.

RULE 400

INSURANCE

400.1. Mail Insurance - Every Dealer Member shall have mail insurance that covers 100% of losses arising from any out-going shipments of securities, negotiable or non-negotiable, by registered mail. The Corporation may exempt a Dealer Member from the requirements of Rule 400.1 if the Dealer Member delivers a written undertaking to the Corporation that it will not use registered mail for out-going shipments of securities.

400.2. Financial Institution Bond - Every Dealer Member shall, by means of a Financial Institution Bond or Bonds (with Discovery Rider attached or Discovery Provisions incorporated in the Bond), effect and keep in force insurance against losses arising as follows:

Clause (A) - Fidelity - Any loss through any dishonest or fraudulent act of any of its employees, committed anywhere and whether committed alone or in collusion with others, including loss of property through any such act of any of the employees;

Clause (B) - On Premises - Any loss of money and securities or other property through robbery, burglary, theft, hold-up or other fraudulent means, mysterious disappearance, damage or destruction while within any of the insured's offices, the offices of any banking institution or clearing house or within any recognized place of safe-deposit, as more fully defined in the Standard Form of Financial Institution Bond (herein referred to as the "Standard Form");

Clause (C) - In Transit - Any loss of money and securities or other property (exceptions to be contained in a list to be approved by the Corporation); while in transit, whether negotiable or non-negotiable, shall be covered by insurance. The value of securities in transit in the custody of any employee or any person acting as a messenger shall not at any time exceed the protection provided under this clause;

Clause (D) - Forgery or Alterations - Any loss through forgery or alteration of any cheques, drafts, promissory notes or other written orders or directions to pay sums in money, excluding securities, as more fully defined in the Standard Form;

Clause (E) - Securities - Any loss through having purchased or acquired, sold or delivered, or extended any credit or acted upon securities or other written instruments which prove to have been forged, counterfeited, raised or altered, or lost or stolen, or through having guaranteed in writing or witnessed any signatures upon any transfers, assignments or other documents or written instruments, as more fully defined in the Standard Form.

400.3. Notice of Termination - Each Financial Institution Bond maintained by a Dealer Member shall contain a rider containing provisions to the following effect:

(i) The underwriter shall notify the Corporation at least 30 days prior to the termination or cancellation of the Bond, except in the event of termination of the Bond due to:

(A) The expiration of the Bond period specified;

(B) Cancellation of the Bond as a result of the receipt of written notice from the insured of its desire to cancel the Bond;

(C) The taking over of the insured by a receiver or other liquidator, or by provincial, federal or state officials, or

(D) Taking over of the insured by another institution or entity.

(ii) In the event of termination of the Bond as an entirety in accordance with clauses (i)(B), (i)(C) or (i)(D), the underwriter shall, upon becoming aware of such termination, give immediate written notice of the termination to the Corporation. Such notice shall not impair or delay the effectiveness of the termination.

400.3B. Termination or Cancellation - In the event of the take-over of a Dealer Member by another institution or entity as described in paragraph 400.3(a)(i)(D), the Dealer Member shall ensure that there is bond coverage which provides a period of twelve months from the date of such take-over within which to discover the losses, if any, sustained by the Dealer Member prior to the effective date of such take-over and the Dealer Member shall pay, or cause to be paid, any applicable additional premium.

400.4. Amounts Required - The minimum amount of insurance to be maintained for each Clause under Rule 400.2 shall be the greater of:

(a) $500,000, or, in the case of an Introducing Type 1 arrangement, $200,000; and

(b) 1% of the base amount (as defined herein), or in the case of Introducing Types 1 and 2 arrangements, ½% of the base amount;

provided that for each Clause such minimum amount need not exceed $25,000,000.

For the purposes of this Rule 400, the term "base amount" shall mean the greater of:

(i) The aggregate of net equity for each customer determined as the total value of cash and securities owed to the customers by the Dealer Member less the total value of cash and securities owed by the customers to the Dealer Member; and

(ii) The aggregate of total liquid assets and total other allowable assets of the Dealer Member determined in accordance with Statement A of Form 1.

400.5. Provisos with respect to Rules 400.2, 400.3 and 400.4:

(a) Repealed.

(b) The amount of insurance required to be maintained by a Dealer Member shall as a minimum be by way of a Financial Institution Bond with a double aggregate limit or a provision for full reinstatement;

(c) Should there be insufficient coverage, a Dealer Member shall be deemed to be complying with Rule 17.5 and this Rule 400 provided that any such deficiency does not exceed 10 percent of the insurance requirement and that evidence is furnished within two months of the dates of completion of the monthly financial report and the annual audit that the deficiency has been corrected. If the deficiency is 10% or more of the insurance requirement, action must be taken by the Dealer Member to correct the deficiency within 10 days of its determination and the Dealer Member shall immediately notify the Corporation;

(d) Insurance against Clause (E) of Rule 400.2 losses (Securities) may be incorporated in the Financial Institution Bond or may be carried by means of a Rider attached thereto or by a Separate Securities Forgery Bond;

(e) A Financial Institution Bond maintained pursuant to Rule 400.2 may contain a clause or rider stating that all claims made under the bond are subject to a deductible;

(f) For the purposes of calculating insurance requirements, no distinction is to be made between securities in non-negotiable form and those in negotiable form.

400.6. Qualified Carriers - Insurance required to be effected and kept in force by a Dealer Member pursuant to this Rule 400 may be underwritten directly by either (i) an insurer registered or licensed under the laws of Canada or any province of Canada or (ii) any foreign insurer approved by the Corporation. No foreign insurer shall be approved by the Corporation unless the insurer has the minimum net worth required of $75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection and the Corporation is satisfied that the insurer is subject to supervision by regulatory authorities in the jurisdiction of incorporation of the insurer which is substantially similar to the supervision of insurance companies in Canada.

400.7. Global Financial Institution Bonds - Where the insurance maintained by a Dealer Member in respect of any of the requirements under this Rule 400 names as the insured or benefits the Dealer Member, together with any other person or group of persons, whether within Canada or elsewhere, the following must apply:

(a) The Dealer Member shall have the right to claim directly against the insurer in respect of losses, and any payment or satisfaction of such losses shall be made directly to the Dealer Member; and

(b) The individual or aggregate limits under the policy may only be affected by claims made by or on behalf of

(i) The Dealer Member,

(ii) Any of the Dealer Member's subsidiaries whose financial results are consolidated with those of the Dealer Member, or

(iii) A holding company of the Dealer Member provided that the holding company does not carry on any business or own any investments other than its interest in the Member

without regard to the claims, experience or any other factor referable to any other person.

RULE 500

TRADERS

500.1. Application for approval as a Trader shall be made to the Corporation in such form as the Board of Directors may from time to time prescribe.

500.2. No person shall act as a Trader unless the person has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900.

RULE 600

SUSPENDED MEMBERS

600.1. During the period of suspension, a suspended Dealer Member shall not be entitled to exercise the rights and privileges of Membership and without limiting the generality of the foregoing, the suspended Member:

(a) Shall not be entitled to attend or vote at meetings of the Corporation or of any District of the Corporation;

(b) Shall remove from its premises any reference to its Membership in the Corporation; and

(c) Shall no longer use reference to its Membership in the Corporation in its advertisements, letterhead or other material, and the name of the suspended Dealer Member shall be carried in the Corporation's Membership Directory but shall be marked with an asterisk and footnote indicating that the Dealer Member has been suspended and the period of suspension;

Provided that during the period of suspension the suspended Dealer Member shall continue to be liable for the payment of Annual Fees and of any assessment and provided further that so long as the Dealer Member is not in arrears in the payment of its Annual Fee or other indebtedness to the Corporation, the suspended Dealer Member shall be entitled to remain in the Corporation's Group Insurance Plan or any other insurance or retirement plans in which the Dealer Member is enrolled at the time of suspension but if not already enrolled in such Group Insurance Plan or in any other insurance or retirement plans at the time of suspension no Dealer Member under suspension may enrol therein.

600.2. Within ten days after the imposition of a suspension or in the event of an appeal therefrom, within seven days after the confirmation of such suspension by the Board of Directors, the Dealer Member shall advise the Corporation in writing that it has complied with the requirements of clauses (b) and (c) of Rule 600.1.

RULE 700

USE OF NAME OR LOGO OF THE CORPORATION

700.1. Unless the Board of Directors in any particular case is of the opinion that the use of the name or the logo of the Corporation is detrimental to the interests of the Corporation or its Dealer Members, the name of the Corporation, or the logo of the Corporation together with the name as provided below, may be used by Dealer Members on letterheads, circulars advertising and other publicity matter, except in the case of circulars, advertising and publicity matter (not being signed letters), mailed, delivered, published, or otherwise used for the purpose of giving publicity to any specific new issue of securities, other than securities authorized for investment by trustees in any province. Dealer Members may also use the name of the Corporation, or the logo of the Corporation with the name as provided below, on their office doors and windows, provided that the name of the Corporation, when so used shall appear in smaller type than the name of the Dealer Member and the reference to the name of the Corporation and Membership therein shall be (in singular or plural form) in one or other of the following forms:

Member(s) of the Investment Industry Regulatory Organization of Canada

and/or

Membre(s) de l' Organisme canadien de réglementation du commerce des valeurs mobilières

or

Member(s) of the Investment Industry Regulatory Organization of Canada - Organisme canadien de réglementation du commerce des valeurs mobilières

or

Membre(s) de l' Organisme canadien de réglementation du commerce des valeurs mobilières - Investment Industry Regulatory Organization of Canada

The logo of the Corporation in the form below may only be used together with the name of the Corporation in any of the formats above, provided that the size of the logo shall be such as to give reasonably equal prominence to each of the name and the logo.

Upon receiving a request from the Corporation, a Dealer Member shall provide to the Corporation, samples of any letterhead, circulars, or other promotional materials used by that Dealer Member bearing the Corporation’s name or logo. Should a Dealer Member fail to comply with a request by the Corporation, should a Dealer Member be found by the Corporation not to be using the Corporation’s name or logo as required by the Rules, or should a Dealer Member no longer be a member of the Corporation or be subject to any discipline by the Corporation, the Corporation may direct the Dealer Member to cease using the name or logo of the Corporation and the Dealer Member shall deliver up to the Corporation all materials bearing the Corporation’s name and logo.

RULE 800

TRADING AND DELIVERY

General

800.1. Unless otherwise stated this Rule 800 shall apply to all Dealer Members and to members of other associations subscribing to the Corporation's Trading and Delivery Rules (hereinafter sometimes called "dealers").

800.2. Dealer Members will not become or continue as members of any trading organization or association formed as kindred to the bond business and domiciled in Canada unless such an association has as part of its constitution or regulations an agreement by all its members to concur in and observe the Rules for trading and delivery practices of the Corporation.

800.3. Clearing days are defined as being all business days, except Saturdays and statutory or other legal holidays.

800.4. In this Rule 800 "dealt in" and words of similar import refer to transactions in securities between dealers.

800.5. All securities having interest payable as a fixed obligation shall be dealt in on an "accrued interest" basis until maturity or a default in such payment either occurs or is announced by the debtor, whichever is the earlier event. This Rule 800.5 may be abrogated from time to time in specific cases where common practice and expediency prompt such action; due notice of such special instances to be given to all Dealer Members.

800.6. Sales made of securities prior to actual default or official announcement as specified in Rule 800.5, but undelivered at the time of default or such announcement, shall be dealt in on an "accrued interest" basis in accordance with the terms of the original transaction.

800.7. Subsequent to default or official announcement as specified in Rule 800.5, the securities shall be dealt in on a flat basis with all matured and unpaid coupons attached, until such time as all arrears of interest have been paid and one current coupon has been paid when due.

800.8. Transactions in bonds having coupons payable out of income, if, as and when earned, shall all take place upon a flat basis. Any matured and unpaid income coupons must be attached. Income bonds which have been called for redemption, should continue to be traded on a flat basis even after the call date has been published.

800.9. When transactions occur in bonds the issuers which have been subject to reorganization or capital adjustment with the result that holders have received as a bonus or otherwise, certain stock or scrip then such transactions shall be ex stock or scrip, unless otherwise stated at the time the trade is made. Such bonds shall be traded flat until such time as all arrears have been paid and one current coupon has been paid when due, except where the Board of Directors shall determine otherwise.

800.10. No security, with the exception of a new issue at take down date, shall be registered in the name of the customer or his or her nominee prior to the receipt of payment. The absorption by a Dealer Member of bank or other charges incurred by a customer or his or her nominee for the registration of a security will be considered an infraction of this Rule. A Dealer Member may absorb transfer fees incurred in the transfer of a security after payment according to a customer's instructions.

800.11. Dealer Members will not deal, either directly or indirectly, with or for the personal account of any employee of other Dealer Members without the written consent of a director or partner of the employee's firm.

800.12. Dealer Members, for the purpose of communication between themselves, will be responsible for the payment of their own telephone charges and send only prepaid telegrams.

800.13. No transaction with a client which involves an agreement to purchase or repurchase a security, an agreement to sell or resell a security or the granting of a put, call or similar option involving a security shall be entered into unless all terms relevant to the transaction are stated in writing on the face of the contract. (If necessary, part of such terms may be set forth on an additional page attached to the contract provided that they are referred to on the face of the contract.)

800.14. Should any Dealer Member be in doubt as to whether a specific type of transaction is forbidden under this Rule 800, it is recommended that he or she secure a ruling on a similar hypothetical case from the Chair of his or her District.

800.15. The purpose of these Rules is to spell out as far as practical what can be done under these Rules without breaking the letter or the spirit of them. It is common knowledge that there are innumerable ways of circumventing the purposes of the Rules, but any such method so adopted can only be considered a direct contravention of the letter and spirit of these Rules and contrary to fair business practice.

Trading

(Whether as Principal or Agent)

800.16. All transactions, except sale and repurchase agreements, involving bonds and debentures on which interest is a fixed obligation shall be treated on an accrued interest basis.

800.17. Repealed.

800.18. Repealed.

800.19. Unless prefixed by some qualifying phrase, a Dealer Member calling a market shall be obliged to trade Trading Units (as hereinafter defined) if called upon to trade.

800.20. Any Dealer Member asking the size of a stated market must be prepared to buy or sell at least a Trading Unit (as hereinafter defined) at the price quoted if immediately requested to do so by the Dealer Member calling the market.

800.21. Trading Units shall consist of the following:

(a) In the case of Government of Canada direct obligations and Government of Canada Guaranteed obligations having an unexpired term of less than one year to maturity (or to the earliest call date, where the transaction is completed at a premium): $250,000 par value;

(b) In the case of Government of Canada direct obligations and Government of Canada Guaranteed obligations having an unexpired term of one year or longer but three years or less to maturity (or to the earliest call date, where the transaction is completed at a premium): $100,000 par value;

(c) In the case of Government of Canada direct obligations and Government of Canada Guaranteed obligations having an unexpired term to maturity of longer than three years (where the bond is traded at a premium, the earliest call date shall be treated as the maturity date): $100,000 par value;

(d) In the case of bonds, debentures and other obligations of or guaranteed by a province in Canada: $25,000 par value;

(e) In the case of all other bonds and debentures other than Government of Canada direct obligations and Government of Canada Guaranteed obligations and bonds, debentures and other obligations of or guaranteed by a province in Canada: $25,000 par value;

(f) In the case of bonds, convertible debentures or debentures issued with attached stock warrants, rights or other appendages and traded in unit form: $5,000 par value of bonds or debentures, irrespective of the value of the appendages;

(g) In the case of common and preferred shares not listed on a recognized stock exchange:

- In lots of 500 shares, if market price is below $1
- In lots of 100 shares, if market price is at $1 and below $100
- In lots of 50 shares, if market price is at $100 or above.

For the purpose of this Rule 800 a recognized stock exchange means the American Stock Exchange, The TSX Venture Exchange, the Montreal Exchange, the New York Stock Exchange and The Toronto Stock Exchange.

800.22. Any amount less than one Trading Unit shall be considered as an odd lot and any Dealer Member who has been requested to call a market has the option to trade an odd lot at the called market (if so requested) or to adjust his market to compensate for the smaller amount involved.

800.23. Rules 800.19, 800.20, 800.21 and 800.22 shall not apply to dealings in the Pacific, Alberta, Saskatchewan, Manitoba or Atlantic Districts or to dealings between the said Districts. They shall apply to all dealings in the Ontario and Quebec Districts and to all dealings between the Ontario and/or Quebec Districts and any other District or Districts.

800.24. Unless otherwise stated at the time of the transaction, all trades are to be considered for regular delivery.

800.25. When a deal involves the sale of more than one maturity or the purchase or more than one maturity, the deal covering each maturity shall be treated as a separate transaction. No contingent (all or none) dealings are permitted.

800.26. In trading securities which are dealt in both as actual bonds, debentures, or other forms of securities and as certificates of deposit, and in the absence of an existing ruling making them interchangeable for delivery, delivery shall be made in the form of actual securities unless it is stipulated at the time of the transaction that they are (a) certificates of deposit, or (b) unspecified; in the latter case, either actual securities or certificates of deposit or mixed, shall be good delivery.

Delivery

800.27. All transactions are to be consummated upon the following regular delivery terms unless at the time each individual transaction takes place alternative terms are agreed upon and confirmed in writing:

(a) In the case of Government of Canada Treasury Bills regular delivery shall be for the same day as the transaction takes place;

(b) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds except Treasury Bills) having an unexpired term of three years or less to maturity (or to the earliest call date where a transaction is completed at a premium) regular delivery shall involve the stopping of accrued interest on the second clearing day after the transaction takes place;

(c) In the case of Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date) and

all provincial, municipal, corporation and other bonds or debentures, stock, or other certificates of indebtedness including (subject to clause (f)) mortgage-backed securities, regular delivery shall involve the stopping of accrued interest, where applicable, on the third clearing day after the transaction takes place;

(d) Nothing herein contained shall in any way interfere with the common practice of dealing in new issues during the period of original distribution on an "accrued interest to delivery" basis with the exception that regular delivery Rules will come into effect the appropriate number of clearing days prior to the new issue securities being first available for physical delivery;

Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest shall be charged from the delivery date at the initial syndicate delivery point(s) of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made;

(e) Sellers and buyers are both obliged to mail or deliver contracts of confirmation to a transaction each to the other the same day or within a maximum of one working day after a transaction is made;

(f) A trade in a mortgage-backed security made during a commitment period shall be entered into for delivery on the first clearing day on or after the fifteenth calendar day of the month. For the purposes of this clause (g), "commitment period" means the period from the third clearing day before month-end to the first clearing day on or before the eleventh calendar day of the following month, inclusive.

800.28. All transactions between Dealer Members doing business in different municipalities are to be completed on buyers' terms, i.e. delivery to be made free of banking and/or shipping charges to the buyer. Where drafts are drawn to arrive at their destination on other than a clearing day, the seller is entitled to have charges paid up to the next clearing day after the expected arrival of such draft.

800.29. In the case of dealings between Dealer Members in the same municipality, physical delivery by the seller should be completed before 5:30 p.m. on a clearing day, except for dealings between Participants, as defined in Rule 800.30A, which shall be settled in accordance with the rules of the applicable Settlement Service.

800.30. For the purpose of this Rule 800 and subject to any other Rule or Ruling expressly providing otherwise, good delivery between Dealer Members shall consist of the following, provided it is acceptable to the relevant transfer agent:

(a) Bonds/Debentures

Good delivery may consist of bearer bonds/debentures or registered bonds/debentures.

Bonds and/or debentures that are dealt with in registered form shall be good delivery if:

(i) Registered in the name of an individual, duly endorsed and with endorsement guaranteed by a Dealer Member in good standing of the Corporation or a recognized stock exchange, or by a chartered bank or qualified Canadian trust company;

(ii) Registered in the name of a Dealer Member or nominee of a Dealer Member and duly endorsed;

(iii) Registered in the name of a member of a recognized stock exchange and duly endorsed;

(iv) Registered in the name of a chartered bank or qualified Canadian trust company or the nominee of a chartered bank or qualified trust company and duly endorsed;

(v) In denominations as indicated below duly endorsed or with completed Power of Attorney to transfer attached. (One Power of Attorney for each certificate in question or an amalgamated Power of Attorney if acceptable to receiving broker or dealer.)

In all cases, endorsement guarantees acceptable to the relevant registrars and transfer agents must be procured by the seller and accompany delivery.

Interim certificates shall be considered good delivery as long as definitive certificates are not available. Once definitives are available, interims shall not be considered good delivery, unless by mutual agreement.

Bonds and debentures up to a maximum denomination of $100,000 par value shall constitute good delivery.

Denominations other than those specified above constitute good delivery only if acceptable to the buyer.

(b) Stocks

(i) Certificates registered in the name of:

(l) An individual, endorsed by the registered holder in exactly the same manner as registered and the endorsement guaranteed by a Dealer Member or by a member of a recognized stock exchange or by a chartered bank or qualified Canadian trust company; Where the endorsement does not exactly correspond to the registration shown on the face of the certificate, a certification by a Dealer Member or by a member of a recognized stock exchange that the two signatures are those of one and the same person or by a chartered bank or qualified Canadian trust company;

(2) A Dealer Member or a member of a recognized stock exchange or a nominee of either and duly endorsed;

(3) A chartered bank or qualified Canadian trust company or the nominee of a chartered bank or qualified Canadian trust company and duly endorsed by a Dealer Member;

(4) Any other manner providing it is properly endorsed and the endorsement is guaranteed by a Dealer Member or by a member of a recognized stock exchange or by a chartered bank or qualified Canadian trust company; and

(ii) Certificates in board lot denominations (or less) as required by the exchange on which the stock is traded.

Unlisted stocks should also be in denominations similar to listed stocks in the same category and price range.

(c) For the purpose of this Rule 800 "qualified Canadian trust company" means a trust company licensed to do business in Canada with a minimum paid up capital and surplus of $5,000,000.

800.30A.For the purposes of Rule 800:

"CDS" means The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée;

"Participant" means a participant in a Settlement Service;

"Settlement Service" means a securities settlement service made available by CDS.

800.30B. Dealer Members who are Participants shall report all trades between Participants of securities to which a Settlement Service applies in accordance with the procedures of the applicable Settlement Service.

Delivery through CDS

800.30C. Good delivery of securities between Dealer Members which are Participants and any other Participants may be made by entries in the records maintained by CDS.

All trades between Participants in securities to which a Settlement Service applies shall be settled through such Settlement Service unless both the deliverer and the receiver have agreed otherwise.

800.30D.

(a) For the purpose of this Rule 800.30D:

(i) "Dealer Member User" means a Dealer Member which is a party to a nominee facility agreement;

(ii) "Dealer Member Non-user" means a Dealer Member, which is not a party to a nominee facility agreement;

(iii) "Non-member User" means a corporation, firm, person or other entity, which is not a Dealer Member and is a party to a nominee facility agreement;

(iv) "Non-member Non-user" means a corporation, firm, person or other entity, which is not a Dealer Member and is not a party to a nominee facility agreement;

(v) "Nominee Facility Agreement" means an agreement in writing in a form satisfactory to the Corporation whereby The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée, the TSX Venture Exchange or any other person approved by the Corporation provides for the issuing of a nominee certificate evidencing an eligible security of an issuer;

(vi) "Issuer" means an issuer of securities designated by the Corporation as an issuer for the purpose of this Rule 800.30D;

(vii) "Eligible Security" means a security of an issuer designated by the Corporation as an eligible security for the purpose of this Rule 800.30D;

(viii) "Nominee Certificate" means a certificate issued by or on behalf of an issuer in respect of an eligible security in the name of a facility nominee in a form and manner satisfactory to the Corporation;

(ix) "Facility Nominee" means a nominee appointed by The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée or the TSX Venture Exchange or any other nominee, any of which nominees shall have been approved by the Corporation for the purposes and on the terms and conditions prescribed by the Corporation.

(b) Notwithstanding any other Rule relating to the delivery or good delivery of securities, but subject to Rule 800.30C, good delivery in eligible securities of an issuer,

(i) Between Dealer Member users and between Dealer Member users and non-Dealer Member users shall only be by nominee certificates except that, if a delivering non-Dealer Member user is a chartered bank or trust company licensed or registered to do business in Canada or a province thereof, good delivery may also be by certificates registered in the name of the delivering chartered bank or trust company or their respective nominees, clients or a nominee of their clients (provided that a Dealer Member or a non-Dealer Member user other than a chartered bank or trust company shall not be a nominee) and shall otherwise comply with Rule 800;

(ii) Between Dealer Member non-users and between delivering Dealer Member non-users and either non-Dealer Member users or non-Dealer Member non-users shall only be by certificates registered in the name of the receiving Dealer Member non-user, non-Dealer Member user or non-Dealer Member non-user, as the case may be, its client or the client's nominee and shall otherwise comply with Rule 800, provided that, if the receiving non-Dealer Member user or non-Dealer Member non-user is the client of the delivering Dealer Member non-user, certificates shall be in the name of the beneficial owner or such owner's nominee (which nominee shall not be a Dealer Member);

(iii) Between a delivering Dealer Member user and either a Dealer Member non-user or a non-Dealer Member non-user shall only be by certificates registered in the name of the receiving Dealer Member non-user or non-Dealer Member non-user, as the case may be, or their respective clients or their clients' nominees and shall otherwise comply with Rule 800 provided that, if the receiving non-Dealer Member non-user is the client of the delivering Dealer Member user, certificates shall be in the name of the beneficial owner or such owner's nominee (which nominee shall not be a Dealer Member);

(iv) Between a delivering Dealer Member non-user and a Dealer Member user shall be by certificates registered in the name of the delivering Dealer Member non-user, its client or the client's nominee and shall otherwise comply with Rule 800.

(c) Notwithstanding Rule 800.10, an eligible security may be registered by a Dealer Member in the name of, or in the name of a nominee of, a self-administered registered retirement savings plan registered under the *Income Tax Act* (Canada) prior to the receipt of payment therefore provided that the Dealer Member obtains an unconditional guarantee of payment by the trust company administering the plan prior to such registration.

(d) Where delivery is made by certificates in the name of a receiving Dealer Member non-user, non-Dealer Member user, non-Dealer Member non-user or a client or the client's nominee in accordance with Rules 800.30D(b)(ii) or (iii), the delivering Dealer Member or Dealer Member non-user, as the case may be, shall be entitled to payment for such certificates immediately on its advising that the certificates are available for delivery, which advice may be subject to receipt of instructions as to registration and the effecting of registrations.

Delivery through WCDTC

800.30E.Repealed.

Uniform Settlement

800.31.

(a) No Dealer Member shall accept an order from a customer pursuant to an arrangement whereby payment of securities purchased or delivery of securities sold is to be made to or by a settlement agent of the customer unless all of the following procedures have been followed:

(i) The Dealer Member shall have received from the customer prior to or at the time of accepting the order the name and address of the settlement agent and account number of the customer on file with the agent. Where settlement is made through a depository offering an identification number system for the clients of settlement agents of the depository, the Dealer Member shall have the client identification number prior to or at the time of accepting the order and use the number in the settlement of the trade;

(ii) Each order accepted from the customer pursuant to such an arrangement is identified as either a delivery or receipt against payment trade;

(iii) The Dealer Member provides to the customer a confirmation by electronic, physical, facsimile or verbal means of all relevant data and information required to be contained in a confirmation made pursuant to Rule 200 with respect to the execution of the trade, in whole or in part, as early as possible on the next business day following such execution, provided that the Dealer Member shall comply with the requirements of Rule 200 to the extent it has not done so pursuant to this clause (iii);

(iv) The Dealer Member has obtained an agreement from the customer that the customer will furnish its settlement agent with instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each such confirmation, or the relevant date and information as to each execution, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and that in any event the customer will ensure that its settlement agent affirms the transaction no later than the next business day after the date of execution of the trade to which the confirmation relates;

(v) The customer and its settlement agent shall utilize the facilities or services of a recognized securities depository for the affirmation and settlement of all depository eligible transactions through such facilities or services including book based or certificated settlement.

(b) For the purposes of Rule 800.31(a)

(i) "Recognized Securities Depositories" shall be The Canadian Depository for Securities Limited;

(ii) "Depository Eligible Transactions" shall mean trades in securities in respect of which affirmation and settlement can be performed through the facilities or services of a recognized securities depository.

(c) The provisions of paragraph (v) of Rule 800.31(a) shall not apply to trades:

(i) To be settled outside Canada; or

(ii) Where both the Dealer Member and the settlement agent are not participants in the same recognized securities depository or the same facilities or services of such depository required in respect of the trade.

(d) The provisions of this Rule 800.31 including the exemptions referred to in paragraph (c) shall be the subject of periodic review by the Corporation on its own or in consultation with any stock exchange or other entity or association representing or having regulatory authority in the Canadian securities industry.

800.32. For the purpose of this Rule 800 delivery of a bond, debenture or stock certificate of the type described below shall not constitute good delivery:

(a) A mutilated or torn certificate or coupon unless acceptable to receiving broker or dealer;

(b) A certificate registered in the name of a firm or corporation that has made an assignment for the benefit of creditors or has been declared bankrupt;

(c) A certificate signed by a Trustee or Administrator unless accompanied by sufficient evidence of authority to sign;

(d) A certificate with documents attached other than a registered bond of an issue available in registered form only, with completed Power of Attorney to transfer attached. (One Power of Attorney for each certificate or an amalgamated Power of Attorney if acceptable to receiving broker or dealer);

(e) A certificate which has been altered or erased (other than by the Transfer Agent) whether or not such alteration or erasure has been guaranteed;

(f) A certificate on which the assignment and/or substitute attorney has been altered or erased;

(g) A certificate with the next maturing coupon or subsequent coupons detached unless where so traded or where a certificate cheque (if for $1,000 or more) payable to the receiving Dealer Member, dated no later than the date of delivery and for the amount of the coupon(s) missing, is attached to the certificate in question;

(h) A bond or debenture, registered as to principal only, which after being transferred to Bearer, does not bear the stamp and signature of the Trustee;

(i) A registered bond, debenture or stock unless it bears a certificate that provincial tax has been paid where applicable;

(j) A certificate that has a stop transfer placed against it, the stop having been placed prior to delivery being made to the receiving dealer or broker.

800.33. Where dealings take place in bonds and/or debentures, available only in registered form:

(a) Dealings made from two days prior to a regular interest payment up to three days prior to the closing of the transfer books for the next interest payment, both days inclusive, shall be on an "and interest" basis. Unless delivery is completed to the buyer by twelve o'clock noon at a transfer point on the date of the closing of the transfer books for a regular interest payment, then the full amount of such interest payment shall be deducted by the seller after the calculation of interest on the regular delivery basis;

(b) Dealings made from two days prior to the closing of the transfer books up to and including three days prior to a regular interest payment shall be "less interest" from settlement date to the regular interest payment date.

800.34. Where dealings take place in unlisted registered shares, the shares shall be traded, ex dividend, ex rights, or ex payments two full business days prior to the record date. Where dealings take place in such registered shares which are not ex dividend, ex rights, or ex payments at the time the transaction occurs, the seller shall be responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates, if delivery is not

completed prior to twelve o'clock noon at a transfer point on the date of the closing of the transfer books. Should the record date fall on a Saturday or other non-business day, for the purposes of this Rule it shall be presumed to be effective the business day previous.

800.35. Where interest on a transaction involves an amount greater than that represented by the half-yearly coupon, interest is to be calculated on the basis of the full amount of the coupon less one or two days, as the case may be.

800.36. Sales or purchases of securities prior to notice of call in part but not in full and undelivered on date of such notice, shall be completed on the basis of the original transaction. (Date of notice means the date of the notice of call irrespective of the date of publication of such notice.) Called securities do not constitute good delivery unless the transaction is so designated at its inception.

800.37. Sales or purchases of securities prior to notice of call in full and undelivered at time of such notice shall be completed on the terms of the original transaction.

800.38. The seller shall, at all times, be required to pay, or certify that payment has been made of, all taxes relative to the transaction, sufficient to enable the buyer to have the securities transferred to his or her nominee without tax cost to him or her. This rule shall not apply as to provincial transfer taxes if the buyer, by choice, transfers the securities to a register outside his or her own province, if there is a register within his or her province.

800.39. For the purpose of Rules 800.40 to 800.44 a "regular delivery transaction" shall be deemed to have taken place once the dealers involved have agreed on a price.

800.40. In the case of dealings between Dealer Members in the same municipality, should delivery not be advised by 11:30 a.m. on the fourth clearing day after a regular delivery transaction takes place, the buyer may at his or her option, give written notice to the seller and to the Corporation on that day, or any subsequent clearing day, prior to 3:30 p.m., of his or her intention to buy in for cash on the second clearing day after the original notice. Such notice shall automatically renew itself from clearing day to clearing day from 11:30 a.m. until closing until the transaction is finally completed. If the buy-in is not executed on the second clearing day after the original notice, then the seller shall have the privilege of advising the buyer each subsequent day before 11:30 a.m. of his or her ability, and intention, to make either whole or partial delivery on that day.

800.41. Where transactions occur between Dealer Members located in different municipalities, should delivery not have been received by the buyer at the expiration of four clearing days after the transaction takes place, on or after the fourth clearing day, the buyer may serve the seller with a buy-in by forwarding notice thereof over a public telegraph wire system, such notice to be timed at the sender's point not later than noon to be effective the third clearing day following and also advise the Corporation. If, prior to 5 p.m. buyer's time the day following the wired notice, the seller has not advised the buyer by public telegraph wire that the securities covered by the buy-in have passed through his or her clearing and are in transit to the buyer, then the buyer may on the third clearing day following the wired notice, proceed to execute such buy-in. While such wired buy-ins shall automatically renew themselves from clearing day to clearing day, the seller shall, except with the consent of the buyer, forfeit all right to complete delivery of other than such portion of the transaction which is in transit by the day following the receipt of a wired buy-in.

800.42. Any Dealer Member who is bought in may demand evidence that a bona fide transaction has taken place involving delivery, and he or she shall have the right to deliver such part of his or her commitment as he or she is in a position to consummate to the nearest $1,000 par value, or stock Trading Unit as defined in Rule 800.21, coincidental with, the execution of the buy-in and as provided for in the preceding paragraphs.

800.43. The Corporation shall have the authority to postpone the execution of a buy-in from day to day, and to combine buy-ins in the same security and to decide any dispute arising from the execution of the buy-in and his or her decision shall be final and binding.

800.44. When a buy-in has been completed the buyer shall submit to the seller a statement of account showing as credits the amount originally contracted for as payment for the securities, and as debits, the amount paid on buy-in, the cost of the buyer's wire and telephone charges relative to the buy-in, and any bank or shipping charges incurred. Any credit balance remaining shall be paid to the seller by the buyer, and the seller shall be responsible for payment to the buyer of any remaining debit.

Dividend Claims

800.45. No Dealer Member shall make a certificate claim for dividends against another Dealer Member if the amount of such claim would be $5.00 or less.

Redemption Agents

800.46. No Dealer Member shall in respect of debt securities of any maturity pay to a client the redemption price or other amount due on redemption of such securities which price or amount exceeds $100,000 unless it shall first have received an amount equal to such price or other amount from the borrower or its agent by cheque certified by or accepted without qualification by a chartered bank (as defined in Rule 1.1) or payment has been received by or to the credit of the Dealer Member through the facilities of The Canadian Depository for Securities Limited or Depository Trust Company.

800.47. When Issued Trading

Unless otherwise provided by the Corporation or the parties to the trade by mutual agreement:

(a) All when issued trades made prior to the second trading day before the anticipated date of issue of the security shall be settled on the anticipated date of issue of such security;

(b) When issued trades on or after the second trading day before the anticipated date of issue of the security shall settle on the third settlement day after the trade date; and

(c) If the security has not been issued on the date for settlement as set out in paragraph (a) or (b) above, such trades shall be settled on the date that the security is actually issued.

800.48. Accrued interest on trades in interest paying instruments which pay interest monthly shall be zero if the value date of the trade is an interest payment date. Otherwise, the accrued interest on such trades shall be calculated by multiplying the face amount of the instrument by the interest rate of the instrument and the number of days between the value date of the trade and the last interest payment date prior to the value date of the trade and dividing the result by twelve multiplied by the number of days between the next interest payment date after the value date of the trade and the last interest payment date prior to the value date of the trade.

800.49. Acceptable broker-to-broker trade matching utility

For each non-exchange trade, involving CDS eligible securities, executed by a Dealer Member with another Dealer Member, each Dealer Member must enter the trade into an Acceptable Trade Matching Utility or accept or reject any trade entered into an Acceptable Trade Matching Utility by another Dealer Member [within one hour of executing the trade.]

For purposes of this Rule 800.49, an “Acceptable Trade Matching Utility” shall be the Broker-To-Broker Trade Matching Utility developed as part of the CDSX development or any similar system approved by the Board of Directors of the Corporation.

RULE 900

SERVICE CHARGE ON RIGHTS

900.1. Whenever a Dealer Member renders services to a customer in connection with the exercise of rights to subscribe for shares, which are listed on a recognized stock exchange which prescribes a fixed commission for trades of such shares, there shall be charged by the Dealer Member and paid by the customer, to cover the Dealer Member's estimated expenses, an amount equal to one-half the commission that would have been payable if the shares subscribed for had been bought on such stock exchange at the subscription price; provided that such amount shall be reduced by any sum payable by the issuing company to the Dealer Member for obtaining the subscription. The Dealer Member in his or her discretion may waive the payment of a service charge by the customer if the charge is less than $5.00.

900.2. No part of any amount so paid to a Dealer Member by a customer or by the issuing company shall be paid by the Dealer Member to any other person, firm or corporation resident in Canada other than to registered representatives, restricted registered representatives, investment representatives, or restricted investment representatives in the employ of the Dealer Member.

RULE 1000

DELETED.

RULE 1100

CALCULATING PRICE ON A YIELD BASIS

1100.1. Except as herein provided, where a transaction results from the submission of a bid or offer on a yield basis without stipulation as to price or method of calculating the unexpired term by the buyer or seller at the time the bid or offer is submitted, the price shall be determined as follows:

(a) Bonds Having Unexpired Term up to and Including 10 Years

The unexpired term shall be deemed to be the exact period expressed in years and/or years and months and/or in years, months and days from the regular delivery date to the maturity of a non-callable bond or a callable bond selling at a price lower than the call price, and to the first redemption date of a callable bond selling at the call price or at a premium over the call price. In calculating the price for the term so determined, one day shall be deemed to be 1/30th of one month;

(b) Bonds Having Unexpired Term Over 10 Years

The unexpired term shall be deemed to be the period expressed in years and/or years and months from the month in which the regular delivery date occurs to the month and year of the maturity of a non-callable bond or callable bond selling at a price lower than the call price, and to the first month and year that the bond is redeemable in the case of a callable bond selling at the call price or at a premium over the call price;

(c) Prices

In all transactions between dealers and customers determined in accordance with the foregoing, the prices shall be extended to three decimal places only. If the fourth figure after the decimal point is 5 or more the third figure after the decimal point shall be increased by one;

(d) New Issues

This Rule shall apply to dealing in new issues and the unexpired term shall be deemed to commence on the date to which accrued interest is charged to the customer.

1100.2. Rule 1100.1 shall not apply to transactions in the following securities, all dealings in which shall be subject to negotiation of the dollar price:

(a) Government of Canada Bonds and Bonds guaranteed by Canada;

(b) Short-term securities as noted hereunder:

(i) Securities which have an unexpired term of six months or less to maturity;

(ii) Securities which have an unexpired term of six months or less to the call date and are selling at the call price or at a premium over the call price;

(iii) Securities which have been called for redemption;

(c) Securities callable on future dates at varying prices;

(d) Securities callable at the option of the obligant where the call date is not stipulated and the securities are selling at a premium over the call price.

1100.3. Bond quotations furnished to the press by any Dealer Member must be under the name of the Corporation.

RULE 1200

CLIENTS' FREE CREDIT BALANCES

1200.1. For the purposes of this Rule 1200, "free credit balances" shall mean:

(a) For cash and margin accounts - the credit balance less an amount equal to the aggregate of (i) the market value of short positions, and (ii) margin as required pursuant to the Rules on those short positions; and

(b) For commodity accounts - the credit balance less an amount equal to the aggregate of (i) margin required to carry open futures contracts and/or futures contract option positions, (ii) less any equity in such contracts, (iii) plus any deficits in such contracts, provided that such aggregate amount may not exceed the dollar amount of the credit balance.

1200.2. Each Dealer Member which does not keep its clients' free credit balances segregated in trust for clients in an account with an acceptable institution separate from the other monies from time to time received by such Dealer Member shall legibly make a notation on all statements of account sent to its clients in substantially the following form:

Any free credit balances represent funds payable on demand which, although properly recorded in our books, are not segregated and may be used in the conduct of our business.

1200.3. No Dealer Member shall use in the conduct of its business clients' free credit balances in excess of the aggregate of the following amounts:

(a) Eight times the net allowable assets of the Dealer Member; plus

(b) Four times the early warning reserve of the Dealer Member.

Each Dealer Member shall hold an amount at least equal to the amount of clients' free credit balances in excess of the foregoing either (a) in cash segregated in trust for clients in a separate account or accounts with an acceptable institution; or (b) segregated and separate and apart as the Dealer Member’s property in bonds, debentures, treasury bills and other securities with a maturity of less than one year of or guaranteed by the Government of Canada, a province of Canada, the United Kingdom, the United States of America and any other national foreign government (provided such other foreign government is a member of the Basle Accord).

1200.4. Dealer Members shall determine at least weekly the amounts required to be segregated in accordance with Rule 1200.3.

1200.5. Dealer Members shall review on a daily basis compliance with Rule 1200.3 against the latest determination under this Rule 1200 of amounts to be segregated with a view to identifying and correcting any deficiency in amounts of free credit balances to be segregated.

1200.6. In the event that a deficiency exists in amounts of free credit balances required to be segregated by a Dealer Member, the Dealer Member shall expeditiously take the most appropriate action to rectify the deficiency.

REGULATION 1300

SUPERVISION OF ACCOUNTS

1300.1.

Identity and Creditworthiness

(a) Each Dealer Member shall use due diligence to learn and remain informed of the essential facts relative to every customer and to every order or account accepted.

(b) When opening an initial account for a corporation or similar entity, the Dealer Member shall:

(i) ascertain the identity of any natural person who is the beneficial owner, directly or indirectly, of more than 10% of the corporation or similar entity, including the name, address, citizenship, occupation and employer of each such beneficial owner, and whether any such beneficial owner is an insider or controlling shareholder of a publicly traded corporation or similar entity; and

(ii) as soon as is practicable after opening the account, and in any case no later than six months after the opening of the account, verify the identity of each individual beneficial owner identified in (i) using such methods as enable the Dealer Member to form a reasonable belief that it knows the true identity of each individual and that are in compliance with any applicable legislation and regulations of the Government of Canada or any province.

(c) Subsection (b) does not apply to:

(i) a corporation or similar entity that is or is an affiliate of a bank, trust or loan company, credit union, caisse populaire, insurance company, mutual fund, mutual fund management company, pension fund, securities dealer or broker, investment manager or similar financial institution subject to a satisfactory regulatory regime in the country in which it is located

(ii) a corporation or similar entity whose securities are publicly traded or an affiliate thereof.

(d) The Corporation may, at its discretion, direct Dealer Members that the exemption in subsection (c) does not apply to some or all types of financial institutions located in a particular country.

(e) When opening an initial account for a trust, a Dealer Member shall:

(i) ascertain the identity of the settlor of the trust and, as far as is reasonable, of any known beneficiaries of more than 10% of the trust, including the name, address, citizenship, occupation and employer of each such settlor and beneficiary and whether any is an insider or controlling shareholder of a publicly traded corporation or similar entity.

(ii) as soon as is practicable after opening the account, and in any case no later than six months after the opening of the account, verify the identity of each individual identified in (i) using such methods as enable the Dealer Member to form a reasonable belief that it knows the true identity of each individual and that are in compliance with any applicable legislation and regulations of the Government of Canada or any province.

(f) Subsection (e) does not apply to a testamentary trust or a trust whose units are publicly traded.

(g) If a Dealer Member, on inquiry, is unable to obtain the information required under subsections (b)(i) and (e)(i), the Dealer Member shall not open the account.

(h) If a Dealer Member is unable to verify the identities of individuals as required under subsections (b)(ii) and (e)(ii) within six months of opening the account, the Dealer Member shall restrict the

account to liquidating trades and transfers, payments or deliveries out of funds or securities only until such time as the verification is completed.

(i) No Dealer Member shall open or maintain an account for a shell bank.

(j) For the purposes of section (i) a shell bank is a bank that does not have a physical presence in any country.

(k) Subsection (i) does not apply to a bank which is an affiliate of a bank, loan or trust company, credit union, other depository institution that maintains a physical presence in Canada or a foreign country in which the affiliated bank, loan or trust company, credit union, other depository institution is subject to supervision by a banking or similar regulatory authority.

(l) Any Dealer Member having an account for a corporation, similar entity or trust other than those exempt under subsections (c) and (f) and which does not have the information regarding the account required in subsections (b)(i) and (e)(i) at the date of implementation of those subsections shall obtain the information within one year from date of implementation of subsections (b) and (e).

(m) If the Dealer Member does not or cannot obtain the information required under subsection (l) the Dealer Member shall restrict the account to liquidating trades and transfers, payments or deliveries out of funds or securities until such time as the required information has been obtained.

(n) Dealer Members must maintain records of all information obtained and verification procedures conducted under this Rule 1300.1 in a form accessible to the Corporation for a period of five years after the closing of the account to which they relate.

Business Conduct

(o) Each Dealer Member shall use due diligence to ensure that the acceptance of any order for any account is within the bounds of good business practice.

Suitability Generally

(p) Subject to Rule 1300.1(r) and 1300.1(s), each Dealer Member shall use due diligence to ensure that the acceptance of any order from a customer is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance.

Suitability Determination Required When Recommendation Provided

(q) Each Dealer Member, when recommending to a customer the purchase, sale, exchange or holding of any security, shall use due diligence to ensure that the recommendation is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance.

Suitability Determination Not Required

(r) Each Dealer Member that has applied for and received approval from the Corporation pursuant to Rule 1300.1(t), is not required to comply with Rule 1300.1(p), when accepting orders from a customer where no recommendation is provided, to make a determination that the order is suitable for such customer.

(s) Each Dealer Member that executes a trade on the instructions of another Dealer Member, portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer, pursuant to Section I.B (3) of Rule 2700 is not required to comply with Rule 1300.1(p).

Corporation Approval

(t) The Corporation, in its discretion, shall only grant such approval where the Corporation is satisfied that the Dealer Member will comply with the policies and procedures outlined in Rule 3200. The

application for approval shall be accompanied by a copy of the policies and procedures of the Dealer Member. Following such approval, any material changes in the policies and procedures of the Dealer Member shall promptly be submitted to the Corporation.

1300.2.

(a) Each Dealer Member shall designate a director, partner or officer or, in the case of a branch office, a branch manager reporting directly to the designated director, partner or officer who shall be responsible for the opening of new accounts and the supervision of account activity. Each such designated person shall be approved by the applicable District Council and, where necessary to ensure continuous supervision, the Dealer Member may appoint one or more alternates to such designated person who shall be so approved. The director, partner or officer as the case may be, shall be responsible for establishing and maintaining procedures for account supervision and such persons or, in the case of a branch office, the branch manager shall ensure that the handling of client business is within the bounds of ethical conduct, consistent with just and equitable principles of trade and not detrimental to the interests of the securities industry. As part of this supervision each new account shall be opened pursuant to a new account form which includes, at a minimum, the information required by Form No. 2, and the designated person (other than a branch manager in the case of discretionary accounts) shall prior to or promptly after the completion of any transaction specifically approve the opening of such account. In the absence or incapacity of the designated director, partner or officer or when the trading activity of the Dealer Member requires additional qualified persons in connection with the supervision of the Dealer Member's business, an alternate, if any, shall assume the authority and responsibility of such designated persons.

(b) Notwithstanding Rule 1300.2(a), a Dealer Member or separate business unit of the Dealer Member is exempt from the requirement that a new account form include, at a minimum, the information required by Form No. 2 where the Dealer Member or separate business unit of the Dealer Member does not provide recommendations to any of its customers and has received approval pursuant to Rule 1300.1(e). In such circumstances, the Dealer Member or separate business unit of the Dealer Member shall not be required to include in the new account form the information currently set out in Form No. 2 of the Corporation that relates to suitability."

Discretionary and Managed Accounts

1300.3. In this Rule 1300 unless the context otherwise requires, the expression:

"associate portfolio manager" means any partner, director, officer or employee of a Dealer Member designated by the Dealer Member and approved pursuant to this Rule to manage managed accounts under the supervision of an approved portfolio manager or futures contracts portfolio manager;

"discretionary account" means an account of a customer other than a managed account in respect of which a Dealer Member or any person acting on behalf of the Dealer Member exercises any discretionary authority in trading by or for such account , provided that an account shall not be considered to be a discretionary account for the sole reason that discretion is exercised as to the price at which or time when an order given by a customer for the purchase or sale of a definite amount of a specified security, option, futures contract or futures contract option shall be executed;

"futures contracts managed account" means a managed account which includes only investments in commodity futures contracts or commodity futures contract options;

"futures contracts portfolio manager" means any partner, director, officer or employee of a Dealer Member designated by the Dealer Member and approved pursuant to this Rule to make investment decisions for futures contracts managed accounts only;

"investment" includes a commodity futures contract and a commodity futures contract option;

"managed account" means any account solicited by a Dealer Member or any partner, director, officer or registered representative of a Dealer Member, in which the investment decisions are made on a continuing basis by the Dealer Member or by a third party hired by the Dealer Member;"

"portfolio manager" means any partner, director, officer or employee of a Dealer Member designated by the Dealer Member and approved pursuant to this Rule to make investment decisions for managed accounts;

"responsible person" means every individual who is a partner, director, officer, employee or agent of any Dealer Member who:

(a) exercises discretionary authority over the account of a client or approves discretionary orders for an account when exercising such discretion or giving such approval pursuant to Rule 1300.4, or

(b) participates in the formulation of, or has access prior to implementation of, investment decisions made on behalf of or advice given to a managed account

but shall not include a sub-adviser under Rule 1300.7(a)(ii);

1300.4. No person, other than a partner, director, officer or registered representative (other than a registered representative (mutual funds) or (non-retail)) who has been approved as such pursuant to the applicable Rules of the Corporation, shall effect trades for a customer in a discretionary account and any such permitted trades shall only be effected if:

(a) the prior written authorization has been given by the customer to the Dealer Member and accepted by the Dealer Member in compliance with Rule 1300.5; and

(b) the account has been specifically approved and accepted in writing as a discretionary account by the designated director, partner, officer, branch manager, futures contract principal or futures contract options principal, as the case may be, who authorized the opening of the account,

and provided that any such person permitted to effect discretionary trades shall have actively dealt in, advised in respect of or performed analysis with respect to the securities or commodity futures contracts or options which are to be traded on a discretionary basis for a period of two years.

1300.5. The prior written authorization provided for by clause (a) of Rule 1300.4 shall:

(a) define the extent of the discretionary authority which has been given to the Dealer Member;

(b) except for a managed account, have a term of no more than twelve months, unless the Dealer Member has satisfied the Corporation that a longer term is appropriate and the customer is aware of such longer term;

(c) except for a managed account, only be renewable in writing;

(d) only be terminated by the customer by notice in writing, which notice shall be effective on receipt by the Dealer Member except with respect to transactions entered into prior to such receipt; and

(e) only be terminated by the Dealer Member by notice in writing, which notice shall be effective not less than 30 days from the date of mailing the notice to the customer by pre-

paid ordinary mail at the customer's last address appearing in the records of the Dealer Member.

1300.6. In addition to any other account supervision requirements under the Rules, the designated partner, director, officer, branch manager, futures contract principal or futures contract options principal, as the case may be, with respect to each discretionary account (other than a managed account) shall review at least monthly the financial performance of each account including a review to determine whether any person permitted to effect trades for such account in accordance with Rule 1300.4 should continue to do so. The duties of the designated partner, director, officer, branch manager, futures contract principal or futures contract options principal hereunder may not be delegated to any other person.

1300.7. No Dealer Member or any person acting on its behalf, shall exercise any discretionary authority with respect to a managed account unless:

(a) the individual who is responsible for the management of such account is:

(i) a partner, director, officer, employee or agent of the Dealer Member who has been approved by the Corporation as a portfolio manager or associate portfolio manager; or

(ii) a sub-adviser with which the Dealer Member has entered into a written sub-adviser agreement, provided that

A. the sub-adviser is an individual or firm registered in the jurisdiction in which it resides, in a category of registration that permits the person or company to provide discretionary portfolio management services or as a broker or investment dealer active as a portfolio manager; and

B. the Dealer Member has determined that the sub-adviser is subject to legislation or regulations containing conflict of interest provisions at least equivalent to Rules 1300.18 and 1300.19 or has entered into an agreement with the sub-adviser that the sub-adviser will comply with Rules 1300.18 and 1300.19.

(b) prior authorization has been given by the customer to the Dealer Member in accordance with Rule 1300.8 and recorded in a manner acceptable to the Corporation;

(c) the account has been specifically approved and accepted as a managed account by a partner, director, officer or, in the case of a branch office, a branch manager, in a manner acceptable to the Corporation

(d) the Dealer Member has provided to the accountholder a copy of its policy ensuring fair allocation of investment opportunities.

1300.8. The prior written authorization provided for by clause (b) of Rule 1300.7 shall:

(a) describe the investment objectives and risk tolerance of the customer with respect to the managed account or accounts;

(b) where permitted by the Dealer Member, describe any constraints imposed by customer on investments to be made in the managed account or accounts;

(c) only be terminated by the customer by notice in writing, which notice shall be effective on receipt by the Dealer Member except with respect to transactions entered into prior to such receipt; and

(d) only be terminated by the Dealer Member by notice in writing, which notice shall be effective not less than 30 days from the date of mailing the notice to the customer by pre-

paid ordinary mail at the customer's last address appearing in the records of the Dealer Member."

1300.9. Application for approval as a portfolio manager shall be made to the Corporation and may be granted where the applicant:

(a) has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900; or

(b) has within the past three years held registration under Canadian securities legislation as a portfolio manager, investment counsel or any equivalent registration category;

(c) is a partner, director, officer, employee or agent of a Dealer Member; and

(d) makes an application for approval in such form as the Board of Directors may from time to time prescribe.

1300.10. Application for designation and approval as an associate portfolio manager shall be made to the Corporation and may be granted where the applicant:

(a) has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900;

(b) is a partner, director, officer, employee or agent of a Dealer Member; and

(c) makes an application for approval in such form as the Board of Directors may from time to time prescribe.

1300.11 Approval as a portfolio manager or associate portfolio manager shall constitute approval to trade and advise in securities provided that a portfolio manager or associate portfolio manager shall not trade or advise in options, commodities or commodities futures contracts unless such person is approved to trade or advise in options, commodities or commodities futures contracts, as the case may be.

1300.12. Application for approval as a futures contracts portfolio manager shall be made to the Corporation and may be granted where the applicant:

(a) has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900; or

(b) has within the past three years held registration under Canadian securities or commodity futures legislation as a portfolio manager, investment counsel or any equivalent registration category with respect to futures contracts;

(c) is a partner, director, officer, employee or agent of a Dealer Member; and

(d) makes an application for approval in such form as the Board of Directors may from time to time prescribe.

1300.13. Application for approval as an associate portfolio manager with discretionary authority with respect to futures contracts managed accounts shall be made to the Corporation and may be granted where the applicant:

(a) has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900;

(b) is a partner, director, officer, employee or agent of a Dealer Member;

(c) makes an application for approval in such form as the Board of Directors may from time to time prescribe.

1300.14. Approval as a futures contracts portfolio manager or associate futures contracts portfolio manager shall constitute approval to trade and advise in futures contracts and futures contracts options.

1300.15. Each Dealer Member that has managed accounts or futures contracts managed accounts shall establish and maintain a system acceptable to the Corporation to supervise the activities of those

responsible for the management of such accounts under Rule 1300.7. Such system should be reasonably designed to achieve compliance with the Rules and Forms of the Corporation. A Dealer Member firm's supervisory system shall provide, at a minimum, for the following:

(a) the establishment and maintenance of written procedures, including:

(i) procedures designed to disclose when a responsible person has contravened Rules 1300.18 or 1300.19;

(ii) procedures to ensure fairness in the allocation of investment opportunities among its managed accounts;

(b) the designation of one or more partners, directors, officers or futures contracts principals, as the case may be, specifically responsible for the supervision of managed accounts. The tasks of this Rule may be delegated by the persons designated to other persons who have the qualifications to perform them; however, pursuant to Rule 2500, responsibility for the tasks may not be delegated;

(c) in addition to any other account supervision requirements under the Rules, a review by the person designated under subsection (b) with respect to each managed account, to be conducted at least quarterly, to ensure that the investment objectives of the client are being diligently pursued and that the managed account or futures contracts managed account is being conducted in accordance with the Rules. The review may be conducted at an aggregate level for managed accounts for which key investment decisions are made centrally and applied across a number of managed accounts, subject to minor variations to allow for client-directed constraints and the timing of client cash flows into the managed account.

(d) the establishment of a managed account committee, which shall include at a minimum one person responsible for the supervision of such accounts, that shall review the supervisory system procedures established by the Dealer Member and recommend to senior management the appropriate action that will achieve the Dealer Member's compliance with applicable securities legislation and with the Rules and Forms of the Corporation. Such review shall be completed at least annually.

1300.16. The Dealer Member may charge a client directly for services rendered to a managed account but, except with the written agreement of the client, such charge shall not be based on the volume or value of transactions initiated for the account or be contingent upon profits or performance.

1300.17. Remuneration paid to an associate portfolio manager, portfolio manager, or futures contracts portfolio manager for managing an account must not be computed in terms of the value or volume of transactions in the account.

1300.18. No Dealer Member or responsible person shall trade for his or her or the Dealer Member's own account, or knowingly permit or arrange for any associate or affiliate to trade, in reliance upon information as to trades made or to be made for any discretionary or managed account.

1300.19. No Dealer Member or responsible person shall, without the written consent of the client, knowingly cause any managed account to:

(a) invest in the securities of, or a futures contract or option that is based on the securities of, the Dealer Member or an issuer that is related or connected to the Dealer Member;

(b) invest in the securities of any issuer, or a futures contract or option that is based on the securities of an issuer, of which a responsible person is an officer or director, and no such investment shall be made even with the written consent of the client unless such office or directorship shall have been disclosed to the client;

(c) invest in new or secondary issues underwritten by the Dealer Member;

(d) purchase or sell the securities of any issuer, or a futures contract or option that is based on the securities of an issuer, from or to the account of a responsible person, or from or to the account of an associate of a responsible person; or

(e) make a loan to a responsible person or to an associate of a responsible person.

A Dealer Member or related company or a partner, director, officer, employee or associate of either of them shall be deemed not to have breached any provision of this Rule 1300.19 in connection with any trade or activity if conducted in compliance with any securities legislation or rule, policy, directive or order of any securities commission which specifically applies to the trade or activity.

1300.20. Where investment decisions are made centrally and applied across a number of managed accounts, Rule 29.3A shall not apply with regard to managed accounts of partners, directors, officers, registered persons, employees or agents of the Dealer Member that participate on the same basis as client accounts in the implementation of such decisions.

1300.21. Except as specifically permitted in the Rules or Rulings, no Dealer Member shall charge a customer a fee that is contingent upon the profit or performance of the customer's account.

RULE 1400

DISCLOSURE TO CLIENTS OF MEMBERS' FINANCIAL CONDITION AND OTHER INFORMATION

1400.1. Each Dealer Member shall make available to its clients, on request, a statement of its financial condition as of the close of its latest financial year and based on the latest annual audited financial statements, provided that in order to prepare such statement, the Dealer Member shall have 75 days from the close of such financial year. The term "client", as used in this Rule 1400, shall mean any person who has had a transaction with a Dealer Member within one year of the day on which a request for a statement of financial condition is made.

1400.2. Any statement of financial condition published in a newspaper or other medium in Canada shall be in the same form and of the same substance as the statement made available to clients.

1400.3. The statement of financial condition shall contain information such as the following or similar headings for items which are material:

Current Assets

Cash

Receivables from brokers and dealers

Receivables from customers

Inventory of securities at the lower of cost or market value or at market value (state basis of valuation)

Miscellaneous Accounts Receivable

Other Assets (state basis of valuation)

Investment in subsidiary and affiliated companies

Fixed assets

Current Liabilities

Call loans and bank overdrafts

Payable to brokers and dealers

Payable to customers

Accounts payable, accrued expenses and income taxes

Securities sold short at the higher of cost or market value or at market value (state basis of valuation)

Capital in the Business

Shareholders' equity (including subordinated loans and retained earnings)

Partners' equity

1400.4. Where the accounts of a Dealer Member are included in the consolidated financial statements of any holding company or affiliate of the Dealer Member which are published in a newspaper or other medium in Canada and the holding company, related company or affiliate has a name similar to that of the Dealer Member, either

(a) The consolidated financial statement shall be accompanied by a note indicating that the entity to which the consolidated statements relate is neither a Dealer Member of the Corporation nor of any other recognized self-regulatory organization and that, while the statements include the accounts of the Dealer Member, the consolidated statements are not the financial statements of the Dealer Member; or

(b) The Dealer Member shall, contemporaneously with the publication, send to each of its clients the unconsolidated statement of financial condition of the Dealer Member together with a letter explaining why such statement is being sent.

1400.5. The statement of financial condition shall be accompanied by a report by the Dealer Member's auditor stating that it fairly summarizes the financial position of the Dealer Member.

1400.6. Each Dealer Member shall make available to its clients, on request, a current list of the names of its partners or its directors and senior officers made up as of a recent date.

1400.7. Each Dealer Member shall indicate to its clients on each statement of account or in such other manner as may be approved by the Corporation that the statement of financial condition and list of partners, directors and senior officers are available upon request.

RULE 1500

CONDUCT AND PRACTICES HANDBOOK FOR SECURITIES INDUSTRY PROFESSIONALS

1500.1

(a) Every registered representative, investment representative, partner, director or officer of a Dealer Member shall have in their possession and have read the Conduct and Practices Handbook for Securities Industry Professionals, including any updates:

(b) Each Dealer Member shall:

(i) Take reasonable measures to ensure that all individuals who are employed by such Dealer Member as a registered representative, investment representative, partner, director or officer have in their possession and have read the Conduct and Practices Handbook for Securities Industry Professionals including any updates; and

(ii) Bring to the attention and provide all updates of the Conduct and Practices Handbook for Securities Industry Professionals to all registered representatives, investment representatives, partners, directors and officers.

(c) For the purposes of Rule 1500, having access to an electronic version of the Conduct and Practices Handbook for Securities Industry Professionals shall qualify as having possession of it.

RULE 1600

MONEY MARKET OPERATIONS

1600.1. The total of certain and contingent money market commitments of liabilities outstanding shall be reported weekly, in writing, to a director, senior officer or senior partner of the Dealer Member by the operational manager of its money market business. In addition, margin at the rates prescribed by the Rules shall be computed daily on the total of certain and contingent money market commitments or liabilities outstanding. The daily margin calculations and the weekly list of commitments and liabilities outstanding shall be made available on demand to the Corporation together with all the relevant contracts for cross-reference purposes.

1600.2. If a Dealer Member has agreed with a client to purchase or repurchase a security at any time prior to its final maturity date at the option of the client at a predetermined yield or price or to provide a specific amount of funds at any time in the future at the option of the client, such a liability whether contingent or not shall be treated as a certain liability and shall be margined by the Dealer Member whether or not the agreement is subject to any conditions. Liabilities of this type must be margined daily and must be included in the operational manager's weekly report to his or her senior partner.

1600.3. For accounting purposes or avoidance of margin, a Dealer Member shall not cause his or her liabilities to be artificially or superficially reduced by arranging with a financial institution, corporation, or other type of client to assume temporarily any liabilities of the Dealer Member.

1600.4. Where a commission rate has been established by a borrower, (whether the commission is paid separately or reflected in the cost of the security) at no time shall all or part of the commission be re-allowed to a lender on an agency transaction. While it is recognized that problems of identification of commission will occur when a Dealer Member acts as a principal, the guiding principle shall be that a Dealer Member shall not use the guise of liability trading as a means of effecting a sale by way of re-allowing a portion of the commission.

Where a commission has been established by a borrower (whether the commission is paid separately or reflected in the cost of the security) and a Dealer Member acts as principal in the purchase of new issue paper, the Dealer Member shall be bound not to offer the security at a yield in excess of the purchase yield prior to the business day next following the settlement date.

1600.5. Repealed.

1600.6. All money market transactions shall be settled by certified cheque unless:

(a) The buyer or supplier of funds to the dealer in the money market transaction is an acceptable institution or an acceptable counter-party; or

(b) The settlement amount is less than $100,000.

1600.7. For the purpose of Rules 1600.8 to 1600.10, "money market securities" are defined as debt securities having an original term to maturity of three years or less.

1600.8. Except as provided in Rule 1600.10, a Dealer Member may only transact business, either as principal or agent, in the money market securities of those sales finance companies which, in addition to providing audited financial statements on an annual basis, have disclosed to the Dealer Member the Canadian Sales Finance Long Form Report developed by the Federated Council of Sales Finance Companies and the Corporation dated March 23, 1967 or the most recent revision thereof, prepared on an annual basis.

1600.9. The Report referred to in Rule 1600.8 must relate to periods ending not more than 16 months prior to the date of investment in the money market securities of the relevant sales finance company.

1600.10. A Dealer Member may transact business in the money market securities of a:

(a) Sales finance company which finances, in the main, the products of its parent company; or

(b) Sales finance company that is a wholly owned subsidiary of a company that has guaranteed payment of such money market securities of such sales finance company;

Without requiring compliance with Rule 1600.8 provided that the Dealer Member shall have obtained from the parent of any such sales finance company information which the Dealer Member considers adequate.

RULE 1700

MUNICIPAL DEBENTURES - COST OF BORROWING

1700.1. Unless a provincial authority has designated a different method, if a Dealer Member is required to state the cost of borrowing to a municipality of a serial debenture issue with one or more coupon rates, the method used to determine this cost shall be as follows:

> The issue shall be priced in its entirety at two yields giving two prices close to the price under consideration, one above and one below such price. The two yields and two prices so found shall then be used to determine, by interpolation, the cost of borrowing.

The intent of this Rule is that the cost of borrowing should be calculated and stated on the same basis and by the same method as would the yield to an investor in the same securities.

RULE 1800

COMMODITY FUTURES CONTRACTS AND OPTIONS

1800.1. For the purpose of this Rule 1800, unless the subject matter or context otherwise requires, the expression:

"Clearing Corporation" or "Clearing House" means an association or organization, whether incorporated or unincorporated, or part of a commodity futures exchange through which trades in contracts entered into on such exchange are cleared;

"Commodity" means, anything which (i) is defined or designated as a commodity in or pursuant to the Commodity Futures Act (Ontario) or similar legislation in any province of Canada not inconsistent therewith, or (ii) is the subject of a futures contract;

"Commodity Futures Exchange" means an association or organization whether incorporated or unincorporated, operated for the purpose of providing the physical facilities necessary for the trading of contracts by open auction;

"Contract" means any futures contract and any futures contract option;

"Dealer" means a person or company that trades in contracts in the capacity of principal or agent;

"Futures Contract" means a contract to make or take delivery of a specified quantity and quality, grade or size of a commodity during a designated future month at a price agreed upon when the contract is entered into on a commodity futures exchange pursuant to standardized terms and conditions set forth in such exchange's by-laws, rules or regulations;

"Futures Contract Option" means a right, acquired for a consideration, to assume a long or short position in relation to a futures contract at a specified price and within a specified period of time and any other option of which the subject is a futures contract;

"Omnibus Account" means an account carried by or for a Dealer Member in which the transactions of two or more persons are combined and effected in the name of a Dealer Member without disclosure of the identity of such persons.

1800.2. No Dealer Member or any person acting on its behalf, shall trade or advise in respect of futures contracts or futures contract options without prior approval of the Corporation and unless:

(a) In the case of trading or advising in respect of futures contracts:

(i) One or more of the partners, directors or officers of the Dealer Member is appointed in writing by the Dealer Member as a designated futures contract principal and, if necessary to ensure continuous supervision, one or more alternate designated futures contract principals, who shall have the authority and be responsible for the matters described in Rule 1800.5; and

(ii) Any person designated as a futures contract principal or alternate under item (i) above, and every partner, director, officer or employee of a Dealer Member who deals with customers with respect to trading or advising in respect of futures contracts has been approved pursuant to Rule 1800.3;

(b) In the case of trading or advising in respect of futures contract options:

(i) One or more of the partners, directors or officers of the Dealer Member is appointed in writing by the Dealer Member as a designated futures contract options principal and, if necessary to ensure continuous supervision, one or more

alternate designated futures contract options principals who shall have the authority and be responsible for the matters described in Rule 1800.5; and

(ii) Any person designated as a futures contract options principal or alternate under item (i) above, and every partner, director, officer or employee of the Dealer Member who deals with customers with respect to trading or advising in respect of futures contract options has been approved pursuant to Rule 1800.3;

(c) Each of the Dealer Member's customers has acknowledged receipt of a futures contract trading agreement or futures contract options trading agreement referred to in Rule 1800.9;

(d) The account of each customer of the Dealer Member trading in futures contracts or futures contract options has been authorized in accordance with Rule 1800.5 by a futures contracts principal in the case of futures contracts or by a futures contract options principal in the case of futures contract options, or (other than a branch manager in the case of discretionary or managed accounts) by the branch manager of the branch office handling the trade if the branch manager has been approved pursuant to Rule 1800.3 to supervise accounts trading in futures contracts or futures contract options, as applicable;

(e) In the case of trading or advising in respect of trades in futures contracts, the Member:

(i) Has available at each of its offices (other than a sub-branch office) to serve customers two or more persons qualified in accordance with Rule 1800.3 or 1800.4 to deal with customers in respect of futures contracts and one or more persons to carry out trading instructions, but only two of such persons must be available to serve customers at any time in normal circumstances and during usual business hours provided one of such persons is qualified in accordance with Rule 1800.3 or 1800.4;

(ii) Distributes to each customer, prior to opening a futures contract account, a copy of the then current risk disclosure statement of the Dealer Member, the form of which has been approved by the Corporation and obtains from the customer written acknowledgement of the receipt thereof, and thereafter distributes to each such customer any amendments which have been approved by the Corporation to the then current risk disclosure statement; and

(iii) Maintains a record available for inspection by the Corporation showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been distributed and the date or dates of such distribution;

(f) In the case of trading or advising in respect of trades in futures contract options, the Member:

(i) Has available at each of its offices (other than a sub-branch office) to serve customers two or more persons qualified in accordance with Rule 1800.3 or 1800.4 to deal with customers in respect of futures contract options and one or more persons to carry out trading instructions, but only two of such persons must be available to serve customers at any time in normal circumstances and during usual business hours provided one of such persons is qualified in accordance with Rule 1800.3 or 1800.4;

(ii) Distributes to each customer, prior to opening a futures contract options account, a copy of the then current risk disclosure statement of the Dealer Member, the form of which has been approved by the Corporation and obtains from the

customer written acknowledgement of the receipt thereof, and thereafter distributes to each such customer any amendments which have been approved by the Corporation to the then current risk disclosure statement; and

(iii) Maintains a record available for inspection by the Corporation showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been distributed and the date or dates of such distribution; and

(g) The approval of the Corporation shall have been obtained in respect of the procedures required by Rule 1800.5 and the accounting, settlement and credit control systems that the Dealer Member uses in trading and dealing with customers' accounts and firm accounts with respect to futures contracts or futures contract options.

1800.3. The Corporation may grant approval as a futures contract principal or alternate, a futures contract options principal or alternate, or a person who deals with clients with respect to futures contracts or futures contract options, to any applicant who has satisfied the applicable proficiency requirements outlined in Part 1 of Rule 2900.

1800.3A. Repealed.

1800.4. Repealed.

1800.5. The designated futures contract principal or designated futures contract options principal of a Dealer Member designated pursuant to Rule 1800.2 shall ensure that the handling of customer business relating to futures contracts or futures contract options, as the case may be, is in accordance with the Rules and Rulings of the Corporation. In this respect the Dealer Member shall have written procedures acceptable to the Corporation describing the control, supervisory and delegation procedures used by the Dealer Member to ensure compliance with the Rules and Rulings. In the absence or incapacity of the designated futures contract principal or futures contract options principal or when the trading activity of the Dealer Member requires additional qualified persons in connection with the supervision of the Dealer Member's business, an alternate, if any, shall assume the authority and responsibility of such designated persons. Without limiting the foregoing, each designated futures contract principal and designated futures contract options principal shall be responsible for the following matters with respect to trading or advising in respect of futures contracts and futures contract options, respectively:

(a) Subject to Rule 1300.2 opening all new contracts accounts pursuant to a new account application form approved by the Corporation and the approval of such form for all accounts prior to the commencement of any trading activity;

(b) Using due diligence to learn and remain informed of the essential facts relative to every customer (including the customer's identity, creditworthiness and reputation) and to every order or account accepted, to ensure that the acceptance of any order for any account is within the bounds of good business practice and, subject to Rule 1300.1(e), to use due diligence to ensure that the acceptance of any order from a customer is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance;

(c) Obtaining prior to the commencement of any trading activity in any futures account the executed futures contract or futures contract trading agreement referred to in Rule 1800.9 or the letter of undertaking referred to in Rule 1800.10;

(d) Imposing any appropriate restriction on futures contracts or futures contract options accounts and the proper designation of accounts and related orders;

(e) The continuous supervision of each day's trading in futures contracts and futures contract options and the completion of a review of each day's trading no later than the next following trading day;

(f) Reviewing on a monthly basis the cumulative trading activity of each futures contracts and futures contract options account no later than the date of mailing of the monthly statement for each month;

(g) Monitoring performance as necessary of any duties that have been delegated by the futures contract principal or futures contract options principal, as the case may be; and

(h) Performing such other responsibilities as the Corporation may prescribe from time to time.

A designated futures contract principal or designated futures contract options principal may delegate by written direction the performance of any of his or her duties under this Rule 1800.5 (except those described in clauses (g) or (h) unless permitted by the Corporation and except those that are expressly stated not to be delegated) to any person whom he or she has reason to believe is capable of performing such duties; provided that the futures contract principal or futures contract options principal shall remain fully responsible for the performance of such duties.

1800.6. Notwithstanding Rule 1800.5 or any other Rule or Ruling, where a futures contracts or futures contract options account is opened by an acceptable institution, acceptable counter-party, another dealer on its own behalf or on behalf of a customer by an adviser or other person qualified pursuant to any applicable legislation to advise in respect of trading or to effect trades, as the case may be, by that specific account in futures contracts or options and provided further that such adviser or other person is required by applicable legislation or other authority to ensure investments by its customers are suitable for them:

(a) Where the person opening the account executes orders in its own name or identifies its clients by means of a code or symbols, the Dealer Member shall satisfy itself as to the credit worthiness of such person opening the account but shall not otherwise have any responsibility for the suitability of any trade for the customers of such person;

(b) Where the person opening the account executes orders in the names of its customers with no agreement that payment of the account is guaranteed by such person, the Dealer Member shall:

(i) Obtain full information concerning the customer with a view to determining the credit worthiness of the client; or

(ii) Obtain a letter of undertaking from the person opening the account which letter shall refer to the familiarity of the person with applicable rules of account supervision and shall contain a covenant to make the investigation contemplated by those rules and to advise, where known, if the customer is a partner, director, officer, employee or security holder of a dealer or an associate of any such persons or an affiliate of the dealer;

But the Dealer Member shall not have the responsibility for determining the suitability of any trade for the customers.

1800.7. Each Dealer Member that trades in futures contracts shall file such reports on futures contracts trading as may be prescribed from time to time by the Corporation. Each Dealer Member shall report to the Corporation the greater of the market value of the total long or the total short futures contracts for each commodity, determined as at the close of business on the last day of each month (or, where such day is not a trading day, on the next preceding trading day). Such report shall be made on a form of monthly position report approved by the Corporation.

1800.8. All non-customer orders entered for the purchase or sale of futures contracts or futures contract options shall be clearly identified as such. For the purpose of this Rule 1800.8 orders identified as "non-customer" shall include an order for an account in which:

(a) A Dealer Member;

(b) A partner, director, or officer of a Dealer Member; or

(c) An employee of a Dealer Member to the extent that such employee has received approval pursuant to the Rules of the Corporation;

Has a direct or indirect interest other than an interest in the commission charged.

1800.9. Each Dealer Member shall have and maintain with each customer trading in futures contracts or futures contract options an account agreement in writing defining the rights and obligations between them on such subjects as the Corporation may from time to time determine, and shall include the following:

(a) The rights of the Dealer Member to exercise discretion in accepting orders;

(b) The obligation of the Dealer Member with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;

(c) The obligation of the customer in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security, including the conditions under which the funds, securities or other property held in the account or any other accounts of the customer may be applied to such indebtedness or margin;

(d) The obligation of the customer in respect of commissions, if any, on futures contracts or futures contract options bought and sold for his or her account;

(e) The obligation of the customer in respect of the payment of interest, if any, on debit balances in his or her account;

(f) The extent of the right of the Dealer Member to make use of free credit balances in the customer's account either in its own business or to cover debit balances in the same or other accounts, and the consent, if given, of the customer to the Dealer Member taking the other side to the customer's transactions from time to time;

(g) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the customer's account;

(h) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the customer's account and to hold the same as collateral security for the customer's indebtedness;

(i) The customer's obligation to comply with the rules pertaining to futures contracts or futures contract options with respect to reporting, position limits and exercise limits, as applicable, as established by the commodity futures exchange on which such futures contracts or futures contract options are traded or its clearing house;

(j) The right of the Dealer Member, if so required, to provide regulatory authorities with information and/or reports related to reporting limits and position limits;

(k) The acknowledgement by the customer that he or she has received the current risk disclosure statement provided for in Rule 1800.2 unless provided for by other approved means;

(l) The right of the Dealer Member to impose trading limits and to close out futures contracts or futures contract options under specified conditions;

(m) That minimum margin will be required from the customer in such amounts and at such times as the commodity futures exchange on which a contract is entered or its clearing house may prescribe and in such greater amounts at other times as prescribed by the Rules and as determined by the Dealer Member, and that such funds or property may be commingled and used by the Dealer Member in the conduct of its business;

(n) In the case of futures contract options accounts, the method of allocation of exercise assignment notices and the customer's obligation to instruct the Dealer Member to close out contracts prior to the expiry date; and

(o) Unless provided for in a separate agreement, the authority, if any, of the Dealer Member to effect trades for the customer on a discretionary basis, which authority shall be separately acknowledged in a part of the agreement prominently marked off from the remainder and shall not be inconsistent with any Rules relating to discretionary accounts.

1800.10. Rule 1800.9 shall not apply to the opening of a futures contracts or futures contract options account where the customer is a dealer on its own behalf, a dealer on behalf of its customer if the dealer is required to maintain with its customer an account agreement substantially similar to that described in Rule 1800.9, or is an adviser registered under any applicable legislation relating to trading or advising in respect of futures contracts or futures contract options or is an acceptable institution or an acceptable counter-party, provided the Dealer Member has obtained from the customer a letter of undertaking specifying:

(a) That the person opening the account will comply with the by-laws, rules and regulations of the exchange and clearing house upon or through which trades in contracts are to be effected including without limitation, the rules and regulations establishing position and reporting limits; and

(b) Where the customer also maintains with the same Dealer Member an account on which the customer is charged interest when there is a debit balance in the account, the conditions under which transfers of funds, securities or other property held in such other account will be made between accounts, unless provision is made elsewhere in a document signed by the person opening the account.

1800.11.

(a) A record shall be kept by each Dealer Member in its office of any order or other instruction given or received with respect to a trade in a futures contract or futures contract option whether executed or unexecuted showing:

(i) The terms and conditions of the order or instruction and any modification or cancellation of the order or instruction;

(ii) The account to which the order or instruction relates;

(iii) Where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed;

(iv) Where the order or instruction is placed by a person other than the customer in whose name the account is operated, the name, or designation, of the party placing the order or instruction;

(v) The time of the entry of the order or instruction, and, where the order is entered pursuant to the exercise of discretionary authority of a Dealer Member, identification to that effect;

(vi) To the extent feasible, the time of altering instructions or cancellation; and

(vii) The time of report of execution.

(b) A copy of all unexecuted orders shall be kept for a period of two years and a copy of all executed orders shall be kept for a period of six years.

RULE 1900

OPTIONS

1900.1. For the purposes of this Rule 1900, unless the subject matter or content otherwise requires:

"Option" means a call option or put option issued by Trans Canada Options Inc., Intermarket Services Inc., The Options Clearing Corporation, Intermarket Clearing Corporation, International Options Clearing Corporation or any other corporation or organization recognized by the Board of Directors for the purposes of this Rule but "option" does not include a futures contract or futures contract option as defined in Rule 1800.1.

1900.2. No Dealer Member, or any person acting on its behalf, shall trade or advise in respect of options unless:

(a) One or more of the partners, directors or officers of the Dealer Member is designated in writing by the Dealer Member as a registered options principal who shall be responsible for the authorization of new options accounts and for the supervision of account activity involving options and, where necessary to ensure continuous supervision, one or more alternates to such registered options principal are appointed by the Dealer Member;

(b) Each person designated as a registered options principal or alternated under subparagraph (a) or trading or advising in respect of options has been approved pursuant to Rule 1900.3;

(c) Each of the Dealer Member's clients has entered into an options trading agreement referred to in Rule 1900.6;

(d) The account of each client of the Dealer Member trading in options has been authorized in accordance with Rule 1900.4 by a registered options principal;

(e) The Member:

(i) Delivers or sends by prepaid mail to each client before the first trade made by such client of an option a copy of the then current disclosure statement, or similar disclosure document which complies with applicable securities legislation in the relevant jurisdiction, in respect of the option to be traded; and

(ii) Delivers or sends by prepaid mail to each client having an account approved for options trading each new disclosure statement or similar disclosure document which complies with applicable securities legislation in the relevant jurisdiction in respect of the option to be traded; and

(f) The Dealer Member complies with the applicable Rules and Rulings of the Corporation and of any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits.

1900.3. The Corporation may grant approval as a registered options principal, alternate, or a person trading or advising in respect of options, to any applicant who has satisfied he applicable proficiency requirements outlined in Part 1 of Rule 2900.

1900.4. A registered options principal of a Dealer Member designated pursuant to Rule 1900.2 shall be responsible for establishing and maintaining procedures for account supervision and shall ensure that the handling of customers' business relating to options is in accordance with the Rules and Rulings including, in particular, Rules 1300.1, 1300.2 and 1900.2(a). As part of this supervision,

each new account involving trading in options shall be opened pursuant to an appropriate account application form and the registered options principal shall have, prior to the completion of the initial transaction, specifically approved the opening of such account, provided that in the case of a branch office or sub-branch office, such approval (other than in respect of discretionary or managed accounts) may be given by a branch manager unless such branch manager is not qualified for the supervision of options accounts. All procedures to carry out the provisions of the Rules including Rule 1300 as it relates to options trading shall be in writing and subject to review by the Corporation. In the absence or incapacity of the designated registered options principal or when the trading activity of the Dealer Member requires additional qualified persons in connection with the supervision of the Dealer Member's business, an alternate, if any, shall assume the authority and responsibility of the registered options principal.

1900.5. Each Dealer Member that trades in options shall file reports in the form and manner and at the times required by the Corporation on the following matters:

(a) All transactions together with a summary of open positions showing those that are covered and those that are uncovered; and

(b) All holdings on the previous day in aggregate long or short positions of any single class of options of the minimum amount or over as specified by the rules, regulations or by-laws of the exchange or the clearing house on or through which the option is traded. For each class of option the number of options comprising each position and, in the case of short positions, whether they are covered shall be reported.

1900.6.

(a) Each Dealer Member shall have and maintain with each customer trading in options an options trading agreement in writing defining the rights and obligations between them on such subjects as the Dealer Member considers appropriate or which the Corporation may from time to time determine, and shall include the following:

(i) The rights of the Dealer Member to exercise discretion in accepting orders;

(ii) The Dealer Member's obligations with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;

(iii) The method of allocation of exercise assignment notices;

(iv) The notice that maximum limits may be set on short positions and that during the last 10 days to expiry cash only terms may be applied and, in addition, that the Corporation may impose other rules affecting existing or subsequent transactions;

(v) The customer's obligation to instruct the Dealer Member to close out contracts prior to expiry date;

(vi) The customer's obligation to comply with applicable Rules and Rulings of the Corporation and any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits;

(vii) The acknowledgement by the customer that he has received the current prospectus referred to in Rule 1900.2(e);

(viii) A statement of the time limit set by the Dealer Member prior to which the client must submit an exercise notice; and

(ix) Any other matter which the exchange, clearing corporation or other organization on or through which an option is traded or issued may require.

(b) Notwithstanding Rule 1900.6(a), if the client is an acceptable institution or acceptable counter-party the Dealer Member may, in lieu of maintaining an options trading agreement, have and maintain a letter of undertaking from the acceptable institution or acceptable counter-party in which the institution or counter-party agrees to abide by the Rules, Rulings and requirements of the Corporation or of the exchange, clearing corporation or other organization on or through which an option is traded including those of the same relating to exercise and position limits.

1900.7. The Rules and Rulings of the Corporation relating to trading or advising in respect of securities other than this Rule 1900 shall apply to any Dealer Member or person acting on its behalf trading or advising in respect of options except to the extent they are inconsistent with this Rule 1900.

RULE 2000

SEGREGATION REQUIREMENTS

Acceptable External Locations

2000.1. For the purposes of Rule 17.3 and Rule 17.3A, securities held beyond the physical possession of the Dealer Member may be segregated and held in trust for customers of a Dealer Member, or segregated and held by or for a Dealer Member, as the case may be, in acceptable securities locations, provided that the written terms upon which such securities are deposited and held beyond the physical possession of the Dealer Member include provisions to the effect that

(a) No use or disposition of the securities shall be made without the prior written consent of the Dealer Member;

(b) Certificates representing the securities can be delivered to the Dealer Member promptly on demand or, where certificates are not available and the securities are represented by book entry at the location, the securities can be transferred either from the location or to another person at the location promptly on demand; and

(c) The securities are held in segregation for the Dealer Member or its customers free and clear of any charge, lien, claim or encumbrance of any kind in favour of the depository or institution holding such securities.

Acceptable Internal Locations

2000.2. For the purposes of Rules 17.3 and 17.3A, the securities held within the physical possession or control of the Dealer Member may be segregated and held in trust for clients of the Dealer Member, or segregated and held by or for the Dealer Member, as the case may be, in the following prescribed locations:

(a) Internal Storage

All internal storage locations designated in the Dealer Member's ledger of accounts for which adequate internal accounting controls and systems for safeguarding of securities held for clients are maintained and which reflect unencumbered security positions in the possession and control of the Dealer Member.

All securities in transit between internal storage locations, for which adequate internal controls are maintained, provided that securities in transit for more than five (5) business days may not be considered as being in the possession and control of a Dealer Member for purposes of segregation.

(b) Transfer Locations

All securities which are in the process of being transferred by a registered or recognized transfer agent.

If such securities are with transfer agents in Canada and have not been received within twenty (20) business days of delivery, the Dealer Member shall obtain a confirmation of the position receivable from the transfer agent. If such position remains unconfirmed after forty-five (45) business days of delivery, the Dealer Member must transfer the position to its difference account.

If such securities are with transfer agents in the United States, the Dealer Member must confirm the receivable after forty-five (45) business days of delivery and transfer the position to its difference account after seventy (70) business days of delivery if the position has not been confirmed. If such securities are with transfer agents outside

Canada and the United States, the Dealer Member must confirm the receivable after seventy (70) business days of delivery and transfer the position to its difference account after one hundred (100) business days of delivery if the position has not been confirmed.

If the positions represented by such securities are required to be transferred to the Dealer Member's difference account, such securities shall not be considered to be in the possession and control of the Dealer Member for the purposes of segregation.

Non-Negotiable Securities

2000.3. Securities which are restricted or which are non-negotiable or which cannot be made fully negotiable solely by signature or guarantee of the Dealer Member shall be deemed not to be segregated unless such securities are registered in the name of the client (or the name of a person required by the client) on whose behalf they are being held in an acceptable segregation location.

Bulk Segregation Calculation

2000.4.

(a) A Dealer Member, which holds securities of clients in bulk segregation in accordance with Rule 17.3, shall determine, for all accounts of each client, the following amounts:

(i) The quantity of all securities held for such accounts which are part of a qualifying hedge position;

(ii) The net loan value of all securities held for such accounts, other than securities referred to in subparagraph (i), minus (or plus in the case of a credit) the aggregate debit cash balance in the accounts; and

(iii) The market value of all securities, other than securities referred to in subparagraph (i), not eligible for margin under Rule 100 minus the aggregate amount, if any, by which such accounts are under-margined as calculated in subparagraph (ii).

Amounts defined in subparagraphs (ii) and (iii) shall represent the net loan value or market value, as the case may be, of securities required to be segregated by the Dealer Member in respect of such accounts. The amount of securities required to be segregated by a Dealer Member shall not, in any case, be greater than the market value of the securities held for such accounts.

(b) For the purposes of this Rule 2000.4, net loan value of a security means, in respect of:

(i) A long position, the market value of the security less any margin required;

(ii) A short position, the market value of the security plus any margin required expressed as a negative number; and

(iii) A short security option position, any margin required as a negative number.

(c) For the purposes of this Rule 2000.4, a qualifying hedge position means, for all the accounts of each client:

(i) A long position in a security; and

(ii) A short position in a security issued or guaranteed by the same issuer of the security referred to in subparagraph (i);

where

(iii) The long position is convertible or exchangeable to the securities of the same class and number of the securities held in the short position; and

(iv) The Dealer Member is using the long position as collateral to cover the short position.

2000.5. A Dealer Member may satisfy its obligations to segregate client securities under Rule 17.3 by segregating in bulk for all clients the number of securities determined as follows:

(a) Equity securities

The aggregate loan value and market value of each class or series of security required to be segregated for each client as determined under Rule 2000.4 divided by the loan or market value, as the case may be, of one unit of the security, shall be the number of such securities required to be segregated.

(b) Debt securities

The aggregate loan value and market value of each class or series of security required to be segregated for each client as determined under Rule 2000.4 divided by the loan or market value, as the case may be, of each $100 of principal amount of the security, multiplied by 100 and rounded to the lowest issuable denomination, shall be the principal amount of such securities required to be segregated.

In determining which securities shall be used to satisfy the segregation requirements in respect of each such client's positions, the Dealer Member may select among all of the securities carried for the client's accounts, subject to the restrictions of any applicable securities legislation including, without limitation, a requirement that fully-paid securities in a cash account be segregated before unpaid securities.

Securities which are required to be segregated but which have been sold by the Dealer Member on behalf of a client shall remain segregated until one business day prior to settlement or value date. Securities which are required to be segregated for a client shall not be removed from segregation as a result of the purchase of any securities by such client until settlement or value date.

Frequency and Review of Calculation

2000.6. A Dealer Member shall determine at least twice weekly the securities required to be segregated according to the calculations set out in Rules 2000.4 and 2000.5.

2000.7. Each Dealer Member shall review on a daily basis compliance with its segregation requirements for its clients' securities according to the latest determination of such securities pursuant to Rule 2000.6 with a view to identifying any deficiency in securities required to be segregated and correcting any such deficiency.

General Restrictions

2000.8. In complying with its obligation to segregate client securities in accordance with Rules 17.3 and 2000, each Dealer Member shall ensure that:

(a) A segregation deficiency is not knowingly created or increased;

(b) No securities held by the Dealer Member are delivered against payment for the account of any client if such securities are required to satisfy the segregation requirements of the Dealer Member in respect of any client;

(c) All free securities (i.e. fully paid and unencumbered securities which have not been sold or are not required for margin) received by the Dealer Member shall be segregated.

Correction of Segregation Deficiencies

2000.9. In the event that a segregation deficiency exists, including (without limitation) deficiencies arising in the circumstances listed below, the Dealer Member shall expeditiously take the most appropriate action required to settle the segregation deficiency.

Call loans:

The Dealer Member shall take action to recall such securities within the business day following the determination of the deficiency.

Securities loans:

The Dealer Member shall call for the return of such securities from the borrower within the business day following the determination of the deficiency or shall borrow securities of the same issue to cover the deficiency and should such securities not have been received by the Dealer Member within five (5) business days following the determination of the deficiency, the Dealer Member shall undertake to buy-in the borrower.

Inventory or Trading Account Short Positions:

The Dealer Member shall borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency or shall undertake to purchase the securities immediately.

Client Declared Short Sales:

The Dealer Member shall borrow securities of the same issue to cover the deficiency within the business day following the determination of the deficiency or shall undertake to buy-in the securities within five (5) business days.

Fails - Client, Dealer Members, Acceptable Institutions or Acceptable Counterparties:

If such securities have not been received by the Dealer Member within fifteen (15) business days of the settlement date, the Dealer Member shall borrow securities of the same issue to cover the deficiency or shall undertake to buy-in the securities.

Stock Dividends Receivable and Stock Splits:

If such securities have not been collected within forty-five (45) business days of the date receivable, the Dealer Member shall obtain a written confirmation of the position receivable. If such position remains unconfirmed after the aforementioned forty-five (45) business days, the Dealer Member must transfer the position to its difference account.

Difference Accounts:

Each Dealer Member shall maintain a difference or suspense account in which shall be recorded all securities which have not been received by reason of irreconcilable differences or errors in any accounts. If securities recorded in a difference account have not been obtained by the Dealer Member within thirty (30) business days of the deficiency being recorded, the Dealer Member shall borrow securities of the same class or series to cover the deficiency or shall undertake to purchase the securities immediately.

RULE 2100

INTER-DEALER BOND BROKERAGE SYSTEMS

2100.1. Definitions: In this Rule 2100, and for all purposes of Rule 36:

(a) "Domestic Debt Securities" means Canadian dollar denominated debt securities issued or primarily traded in the Canadian markets, whether the issuer is the Government of Canada, a province, a municipality, a crown corporation, or a private sector corporation, and includes securities being traded on a "when issued" basis; a class of debt instruments is issued or primarily traded in the Canadian markets if the primary distribution of the class was effected principally to investors in Canada or if the bulk of secondary market trading occurs in Canada and, for greater certainty, Eurodollar debt securities are not issued or primarily traded in the Canadian markets;

(b) "Eurodollar Debt Securities" means debt instruments issued in the international market that exists outside Canada and in respect of which an international secondary market exists primarily outside Canada;

(c) "Inter-dealer Bond Broker" means an organization (whether or not incorporated) that provides information, trading and communications services in connection with trading in domestic debt securities among customers of the organization;

(d) "Customers" means organizations authorized by an inter-dealer bond broker to use its services in connection with trading in domestic debt securities;

(e) "Trader" means an individual who is subject to the supervision and control of a customer of an inter-dealer bond broker, by virtue of being an employee or of some other relationship, and who is authorized by the customer to use the services of the inter-dealer bond broker for the purposes of buying or selling domestic debt securities on behalf of that customer.

2100.2. Continued Recognition. Each inter-dealer bond broker that has approved status at the time this Rule and related amendments become effective shall retain that status, subject to continuing compliance with Rule 2100 as it stood prior to the amendments, for a period of six months or such longer period as the Board of Directors may determine, after which the approved status will be retained only if the inter-dealer bond broker is in compliance with this Rule as so amended. If, at the expiry of that period, an inter-dealer bond broker would qualify for acceptance but for the fact that one or more customers of the inter-dealer bond broker does not yet satisfy Rule 2100.4, the Corporation may provide a further extension under this Rule 2100.2 on being satisfied that efforts are in progress to bring the customer or customers into compliance with Rule 2100.4 and that there is a reasonable likelihood the efforts will be successful.

2100.3. Minimum Capital. Any applicant for approval as an inter-dealer bond broker and any approved inter-dealer bond broker shall have and maintain at all times shareholders' equity in the minimum amount of $500,000 or such higher amount as may from time to time be fixed by the Board of Directors, or have an irrevocable guarantee for such amount from a parent corporation with at least that amount of shareholders' equity.

2100.4. Qualified Customers; Trader Location and Business. To qualify for approval as an inter-dealer bond broker, an applicant for approval must demonstrate and undertake that:

(a) All of its customers are and will be Dealer Members of the Corporation or of another Canadian securities industry self-regulatory organization, Canadian chartered banks, other organizations described in paragraphs (a), (b) or (c) of Rule 2100.5 or any other financial institution approved by the Board of Directors; new customers other than Dealer

Members or Canadian chartered banks will provide the inter-dealer bond broker with a favourable letter of reference from a participant in an approved inter-dealer bond brokerage system and with recent financial statements or other evidence of financial condition;

(b) All of the traders for customers of the inter-dealer bond broker will be physically situated in Canada except:

(i) As to traders for a customer that is a chartered bank listed in Schedule I to the *Bank Act* or an affiliate of such a bank, other than an affiliate that carries on business primarily as a securities firm or a subsidiary of such an affiliate;

(ii) As to traders for a customer that is a chartered bank listed in Schedule II to the *Bank Act*, or that is a subsidiary of such a bank that does not carry on business primarily as a securities firm, but not including traders for other affiliates of such a bank; and

(iii) Where the trader is trading on behalf of a customer that satisfies Rule 2100.5;

(c) The business of the inter-dealer bond broker relating to domestic debt securities shall be restricted to acting as agent on behalf of customers and shall not include dealing in domestic debt securities as principal, directly or indirectly through an entity in which it has an interest or which has an interest in the inter-dealer bond broker; and

(d) It is a participant in or member of an organization which has been recognized by the Board of Directors and which provides for market transparency in the domestic debt securities trading business carried on through approved inter-dealer brokers by making available to any interested person an electronic record-based digital feed of real-time market price, volume and other information. CANPX Corporation as established and organized at the date this Rule becomes effective shall be deemed to have been recognized by the Board of Directors and to be an organization which provides for market transparency for the purposes of this Rule 2100.4(d).]

2100.5. Traders Outside Canada. Rule 2100.4(b) does not apply to a trader that is trading on behalf of a customer, if the Corporation is satisfied that the customer is:

(a) A firm that is a Dealer Member or a branch of a Dealer Member;

(b) An affiliate of a firm that is a Dealer Member, but only if the affiliate is a member of one of the organizations referred to in, or designated in accordance with, paragraph 2100.5(c)(ii); for greater certainty, this item (b) applies whether the affiliate is a parent or a subsidiary of the Dealer Member;

(c) A firm that:

(i) Is not affiliated with a Dealer Member;

(ii) Is a dealer regulated by the Financial Industry Regulatory Authority, or some other self-regulatory organization in the United States or elsewhere designated by the Board of Directors; and

(iii) Provides the Corporation with a legal opinion satisfactory to the Director confirming that the firm is not in contravention of registration requirements under applicable securities legislation in Canada,

but this Rule 2100.5 does not apply to a firm referred to in (b) or (c) unless that firm enters into an agreement in accordance with Rule 2100.6.

2100.6. Agreements. The parties to an agreement referred to in Rule 2100.5 shall include the Corporation and the particular firm referred to in paragraph (b) or (c) of Rule 2100.5 (referred to as the "Outside Canada Firm"), and, in the case of firms referred to in paragraph (b) of Rule 2100.5, the parties shall also include the affiliated firm of the Outside Canada Firm that is a Dealer Member. The agreement shall:

(a) State that the Outside Canada Firm will be dealing with or through the inter-dealer bond broker, specifying that such activities will be physically carried on from jurisdictions in which the Outside Canada Firm is a member of one of the self-regulatory organizations referred to in, or designated in accordance with, Rule 2100.5(c)(ii), or from other jurisdictions where the Corporation are satisfied that the trading activities are within the reach of one or more of those self-regulatory organizations;

(b) obligate the Outside Canada Firm to provide the Dealer Member firm with information as to its trading activities in domestic debt securities to enable the Dealer Member to provide the Corporation with regular reporting concerning such trading on an aggregated basis in accordance with Corporation requirements;

(c) commit the Outside Canada Firm also to provide (subject to appropriate confidentiality provisions in accordance with Canadian practice) additional information as required by the Corporation in connection with a specific inquiry concerning trading in domestic debt securities;

The agreement entered into in accordance with this section shall also contain specific provisions necessary and appropriate to adapt the requirements set out above to the particular circumstances of the Outside Canada Firm.

2100.7. Regulatory Variations. Before an inter-dealer bond broker or an Outside Canada Firm becomes subject to any Corporation requirements that are more onerous than, or are materially different from, those initially applied to it in accordance with this Rule 2100, the inter-dealer bond broker or Outside Canada Firm may require that reasonable notice of the new proposed requirement be given to the Ontario Securities Commission and to any other securities regulatory authority with applicable jurisdiction. The new requirement shall not be applied if the contrary is ordered by that authority, or by any of them. This procedure shall not apply to a change of rules arising other than under Rule 2100, for example a change that affects an Outside Canada Firm solely because it is a subsidiary of a Dealer Member.

2100.8. Consultative Committee. A consultative committee with reasonable representation from affected constituencies, including Dealer Members, Outside Canada Firms and approved inter-dealer bond brokers, shall be constituted while this Rule 2100 is in effect. The committee shall be consulted by the Board of Directors or the staff of the Corporation before any amendment is made to Rule 2100 or the manner in which it is administered including, without limitation, changes in or approvals under Rule 2100.5. The committee and any of its members may record in writing comments on any proposed amendment to this Rule or a change in its mode of administration and, where such comments are not reflected in the resulting amendment or administrative practice, copies of such written comments may be supplied by a committee member to the Ontario Securities Commission and any other relevant securities regulatory authority or as part of the material delivered by the Corporation to the Ontario Securities Commission or to any other regulator in connection with the approval or non-disapproval of the amendment.

2100.9. Commissions. An approved inter-dealer bond broker shall not charge a commission on any trade in excess of its published schedule of commissions, as amended from time to time.

2100.10. Operating Procedures Manual. An approved inter-dealer bond broker shall publish a manual of its operating procedures and shall provide a copy of same to each customer and to the Corporation

whose approval thereof is a condition to the availability of approved status. Such manual shall include a schedule of commissions charged to customers. Such operating procedures may be amended at any time by the inter-dealer bond broker with prior approval from the Corporation upon two weeks (or such lesser period as is agreed to by the Corporation) prior notice in writing to all customers and such commission schedule may be amended with effect from the giving of notice in writing to all customers and the Corporation.

2100.11. Operating Procedures. The manual of operating procedures shall:

(a) Incorporate a code of ethics which shall, at minimum, provide:

(i) All information received by the inter-dealer bond broker from or concerning customers or their activities shall remain confidential except for regulatory or compliance purposes;

(ii) All customers shall receive fair treatment; and

(iii) No gift or other incentive to do business may be given to an employee of a customer unless it is reasonable in value and is publicly given and acknowledged;

(b) Set out minimum capital criteria for the acceptance of customers and provide a procedure to establish those criteria,

And as part of the approval process the Corporation shall be satisfied as to these provisions and as to the enforcement or compliance procedure to be used by the inter-dealer broker with respect to these provisions.

2100.12. Daily Reports. An approved inter-dealer bond broker shall provide each customer with a daily report which shall set out, at minimum, the net amount of outstanding deliveries which that customer has with each other customer as of the close of business on the previous day in each of the following categories:

(a) Domestic debt instruments issued or guaranteed by the Government of Canada or a province or municipality in Canada with ten years or less to maturity;

(b) Domestic debt instruments issued or guaranteed by the Government of Canada or a province or municipality in Canada with more than ten years to maturity;

(c) Domestic debt instruments issued by a corporation;

(d) Other, which shall include any domestic debt instruments not falling into another category; and

(e) The total outstanding in all categories.

2100.13. Financial Statements. An approved inter-dealer bond broker shall provide annually to the Corporation within 140 days from the end of its last financial year, summary balance sheet information and an auditors report, prepared in accordance with generally accepted accounting principles. It shall also provide to the Corporation within 60 days of the date to which it is made up, interim semi-annual balance sheet information prepared in accordance with generally accepted accounting principles.

2100.14. Audit Confirmation. An approved inter-dealer bond broker's auditor shall confirm to the Corporation on at least an annual basis that the conditions of approval as set forth in the Rules have been complied with. At minimum such confirmation shall state: "in the course of our audit nothing came to our attention which caused us to believe that the company held a position in securities for its own account or dealt with any person that is not eligible to be a customer of the company pursuant to Rule 2100".

2100.15. Arbitration. An approved inter-dealer bond broker shall include in its agreement with each of its customers a provision that in the event any disagreement arises among customers (except that where one or both customers is or are non-residents of Canada, this section does not apply if inconsistent with applicable requirements under the laws of another jurisdiction), or among customers and the inter-dealer bond broker, involving a financial loss not in excess of $100,000, and the responsibility for which the parties cannot agree, then every such disagreement shall be referred to arbitration pursuant to the *Arbitrations Act* (Ontario) and the following provisions shall govern any arbitration thereunder:

(a) The disagreement shall be determined by arbitration by three (3) arbitrators, one of whom shall be the Chair of the Bond Trading Committee, or his or her designate in the event the Chair is involved, directly or indirectly, in the disagreement. The parties to the disagreement shall choose one of the other two arbitrators from among all approved inter-dealer bond brokers and all customers of all approved inter-dealer bond brokerage systems, but the third arbitrator shall have no connection with either a customer or an inter-dealer bond broker and the choice of such two arbitrators shall be by unanimous consent of the parties to the disagreement; except that if the parties to the disagreement cannot identify one or both of the other arbitrators by unanimous consent, then the selection of that arbitrator or those arbitrators may be made by a judge of the Supreme Court of Ontario on application by any party;

(b) Subject to adequate co-operation from the parties to the arbitration, the arbitrators shall make their award within two (2) weeks after having been appointed so to act by notice in writing or on or before such later date to which the parties to the disagreement may enlarge the time for making the award; and

(c) There shall be no appeal from the award of arbitrators in accordance with the provisions of the *Arbitrations Act*.

RULE 2200

CASH AND SECURITIES LOAN TRANSACTIONS

2200.1. For the purposes of this Rule 2200:

"Overnight Cash Loan Agreements" means oral or written agreements whereby a Dealer Member deposits cash with another Dealer Member for a period not exceeding two (2) business days.

"Schedule I Bank" means a Schedule I bank pursuant to the Bank Act (Canada) that has a capital and reserves position of one billion ($1,000,000,000) or more at the time of the securities loan transaction."

2200.2. Any cash and securities loan agreement, other than an overnight cash loan agreement, shall be in writing and, at minimum, shall provide:

(a) For the rights of either party, in addition to any other remedies provided in the agreement or which a party may have under any applicable law, to retain and realize on the securities delivered to it by the other party in respect of the loan on the occurrence of an event of default in respect of the other party;

(b) For events of default;

(c) For the treatment of the value of securities or collateral held by the non-defaulting party that is in excess of the amount owed by the defaulting party;

(d) Either:

(i) For provisions enabling the parties to set off their debts; or

(ii)

(A) For provisions enabling the parties to effect a secured loan and, in particular, for the continuous segregation by the lender of securities held by it as collateral for the loan; and

(B) If the parties intend to effect a secured loan, where there is available to the lender more than one method of perfecting its security interest in the collateral, the lender must perfect such interest in a manner that provides it with the higher priority in a default situation; and

(e) If the parties intend to rely on set off or effect a secured loan, for the securities borrowed and the securities loaned to be, pursuant to applicable legislation, free and clear of any trading restrictions and duly endorsed for transfer.

2200.3. Failure to fulfil the conditions of Rule 2200.2 will result in:

(a) The cash or market value of the collateral given by the borrower to the lender being deducted from net allowable assets of the borrower; and

(b) The cash or market value of the loan given by the lender to the borrower being deducted from the net allowable assets of the lender.

Except where the counter-party is an acceptable institution in which case no margin need be provided.

2200.4. Buy-ins (liquidating transactions) must be commenced within two (2) business days of the date notice for the buy-in is given.

2200.5. All cash and securities loan transactions shall be properly recorded in the books and records of the Dealer Member in compliance with Rule 200.

2200.6. Where a cash and securities loan transaction is between regulated entities, the following rules apply:

(a) The written agreement required by Rule 2200.2 shall also contain an acknowledgement by the parties that either has the right, upon notice, to call for any shortfall in the difference between the collateral and the borrowed securities at any time;

(b) Letters of credit issued by Schedule I Banks may be used as collateral; and

(c) Except where the cash and securities loan transaction is processed through an acceptable clearing corporation, confirmations and month-end statements shall be issued.

2200.7. Where the cash or securities loan transaction is between a Dealer Member and an acceptable institution or an acceptable counter-party, the following rules apply:

(a) Confirmations and month-end statements shall be issued; and

(b) Letters of credit issued by Schedule I Banks may be used as collateral.

2200.8. Where a Dealer Member enters into a cash and securities loan transaction with a party other than one to which Rule 2200.6 or 2200.7, the following rules apply:

(a) Marking to Market. Borrowed securities and collateral must be marked to market daily on a one-for-one basis.

(b) Loan Accounts. Loan accounts must be maintained separate from the securities trading accounts maintained by the Dealer Member.

(c) Collateral

(A) Securities pledged as collateral must be held by the Dealer Member on a fully segregated basis or must be held by an acceptable depository or a bank or trust company qualifying as either an acceptable institution or an acceptable counter-party pursuant to an escrow agreement, acceptable to the Corporation between the Dealer Member and the depository, institution or counter-party;

(B) Subject to clause (C), securities pledged as collateral must have a margin rate of 5 percent or less; and

(C) Preferred shares or debt securities convertible (in either case) into the common shares of the class which have been borrowed may be pledged against common stock of the issuer.

(d) Non-Compliance. Failure to fulfill the conditions of Rules 2200.8(b) or (c)(A) will result in a charge to net allowable assets of the Dealer Member as provided in Rule 100 for short securities balances in the accounts of customers.

(e) Confirmations and Month-end Statements. Confirmations and month-end statements shall be issued and, where the other party to a transaction is a retail client of the Dealer Member, such loan of securities shall be recorded in an account separate from the retail client's trading accounts.

2200.9. In a cash or securities loan transaction between an acceptable institution, acceptable counter-party, or a regulated entity, where a letter of credit issued by a Schedule I Bank is used as collateral for the cash or securities loan transaction pursuant to Rules 2200.6(b) or 2200.7(b), there shall be no charge to the Dealer Members capital for any excess of the value of the letter of credit pledged as collateral over the market value of the securities borrowed.

RULE 2300

ACCOUNT TRANSFERS

2300.1. Definitions. In this Rule 2300 the expression:

"Account Transfer" means the transfer in its entirety of an account of a client with a Dealer Member to another Dealer Member at the request or with the authority of the client;

"CDS" means The Canadian Depository for Securities Limited / La Caisse Canadienne de Dépôt de Valeurs Limitée;

"Delivering Dealer Member" means in respect of an account transfer the Dealer Member from which the account of the client is to be transferred;

"Receiving Dealer Member" means in respect of an account transfer the Dealer Member to which the account of the client is to be transferred;

"Partial Account" means in respect of an account transfer, any assets and balances in the account of a client to be transferred from a delivering Dealer Member to a receiving Dealer Member which comprise less than the total assets and balances held by the delivering Dealer Member for that account;

"Recognized Depository" means a clearing corporation or depository which has been recognized by the Board of Directors pursuant to Rule 2000.

2300.2. Account Transfers. Each account transfer shall be effected wherever possible through the facilities or services of a clearing organization or depository which has been recognized by the Board of Directors. The procedures to be followed for full or partial account transfers shall be as set out in this Rule 2300.

Written communications by Dealer Members with other Dealer Members required in connection with compliance with this Rule 2300 including, without limitation, delivery of Request for Transfer forms and Asset Listings shall be transmitted by electronic delivery through the Account Transfer Facility of CDS, unless both Dealer Members agree otherwise. Each Dealer Member shall bear its own costs in respect of the receipt or delivery of such communications. Each Dealer Member shall be responsible for the selection, implementation and maintenance of appropriate security products, tools and procedures sufficient to protect any communications sent by electronic delivery by such Dealer Member.

Each Dealer Member acknowledges that communications sent by it by electronic delivery pursuant to this Rule 2300 will be relied on by the other Dealer Members receiving them and such Dealer Members sending a communication shall indemnify and save harmless any such other Dealer Members against and from any claims, losses, damages, liabilities or expenses suffered by such Dealer Members and arising as a result of reliance on any such communication which is unauthorized, inaccurate or incomplete.

2300.3. Authorization. Each receiving Dealer Member which receives a request from a client to accept an account shall provide the client with an Authorization to Transfer Account form in a form approved by the Corporation.

On return of the Authorization to Transfer Account form to the office designated by the receiving Dealer Member, duly executed by the client, the receiving Dealer Member shall promptly send a Request for Transfer form (as approved by the Corporation) by electronic delivery through the Account Transfer Facility of CDS providing the prescribed information required by CDS. The original copy of the Authorization to Transfer Account form shall remain on file pursuant to Rule 200.1 with the receiving Dealer Member and will be made available at any time upon request.

In addition, the receiving Dealer Member shall ensure that such forms or documents as may be required in order to transfer trusteed accounts, provincial stock savings plan accounts or other accounts which cannot be transferred without such other forms or documents are duly completed and available on the same day as the electronic delivery of the Request for Transfer form.

2300.4. Response to Request for Transfer. On electronic receipt of the Request for Transfer, the delivering Dealer Member shall either deliver electronically to the receiving Dealer Member the Asset Listing of the client account being transferred by the return date as specified, or reject the Request for Transfer if the client account information is unknown to the delivering Dealer Member, or is incomplete or incorrect. The return date shall be no later than two clearing days after the date of electronic receipt at the delivering Dealer Member.

If for any reason, an impediment exists which prevents the requested transfer of an asset for an account from the delivering Dealer Member to the receiving Dealer Member, the delivering Dealer Member shall forthwith notify the receiving Dealer Member electronically, identifying such asset(s) and the reason for the inability to deliver. The receiving Dealer Member shall obtain instructions or directions from the client and deliver them electronically to the delivering Dealer Member with regard to that asset.

Transfer of the balance of assets belonging to the client shall be completed in accordance with this Rule 2300.

2300.5. Settlement. Within one clearing day after the return date specified on the Request for Transfer, the delivering Dealer Member shall input, or cause the Account Transfer facility at CDS to implement automatically, the set up for settlement of those assets which are to be settled through CDS. All other assets shall be delivered using the standard industry practice for such assets.

No Dealer Member shall accept transfer of an account from another Dealer Member which is not margined in accordance with regulatory requirements, unless at the time of the transfer, the receiving Dealer Member has in its possession sufficient available funds or collateral for the credit of the client to cover the deficiency in the account.

Any assets which cannot be transferred through recognized depositories shall be settled over the counter or by such other appropriate means as may be agreed between the receiving Dealer Member and the delivering Dealer Member, with the same time limits specified above for assets which can be transferred through a depository.

2300.6. Failure to Settle. If the delivering Dealer Member fails to settle the transfer of any asset in the account of a client within 10 clearing days of the receipt of the Request for Transfer form by electronic delivery, the receiving Dealer Member may complete the account transfer by, at its option:

(a) Buying-in the unsettled position in accordance with Rules 800.39 to 800.44;

(b) Establishing a loan of the assets from the receiving Dealer Member to the delivering Dealer Member through a recognized depository, which loan shall be marked to market and the relevant assets shall be deemed to have been delivered to the receiving Dealer Member for the purpose of settling the account transfer; or

(c) Making such other mutually agreed arrangements with the delivering Dealer Member such that the account transfer can be deemed to have been completed for the client.

2300.7. Non-Certificated Mutual Funds. Assets in an account to be transferred in the form of non-certificated mutual fund securities shall be considered transferred upon delivery by the delivering Dealer Member to the receiving Dealer Member of a duly completed Dealer to Dealer Mutual Fund Transfer form as approved by the Corporation and a properly completed and endorsed power of

attorney, or by entry of transfer instructions in the electronic account transfer facility of Mutual Funds Clearing and Settlement Services Inc.

2300.8. Miscellaneous Balances. Balances comprising interest or dividend receipts shall be settled promptly between a delivering Dealer Member and receiving Dealer Member and the failure to so settle such balances for any reason shall not constitute grounds for not complying with the account transfer procedures contained in this Rule 2300.

2300.9. Capital Charges. Delivering Dealer Members shall not be subject to capital or margin charges in respect of assets which are in the process of being transferred in accordance with this Rule 2300. The receiving Dealer Member shall be required to margin all assets or balances which are in the process of being transferred in accordance with this Rule 2300.

2300.10. Fees and Charges. The delivering Dealer Member shall be entitled to deduct any fees or charges on accounts to be transferred prior to or at the time of transfer in accordance with that Dealer Member's current published schedule for such fees and charges.

2300.11. Exemptions. The Corporation may exempt a Dealer Member from the requirements of this Rule 2300 where he or she is satisfied to do so would not be prejudicial to the interests of the Dealer Member, its clients or the public and in granting such exemption the Corporation may impose such terms and conditions, if any, as he or she may consider necessary.

RULE 2400

RELATIONSHIPS BETWEEN DEALER MEMBERS AND FINANCIAL SERVICES ENTITIES:

SHARING OF OFFICE PREMISES

INTRODUCTION

This Rule establishes guidelines for Dealer Members to ensure that clients are informed of the products they are purchasing and that clients understand the relationship that a Dealer Member may have with a financial services entity in circumstances where a Dealer Member carries on business in the same location as that entity. For the purposes of this Rule 2400, a financial services entity would include an entity that is licensed or registered in another category pursuant to applicable securities legislation or subject to another Canadian regulatory regime. Financial services subject to another Canadian regulatory regime would include banking, mutual funds, insurance, deposit taking and mortgage brokerage activities.

Dealer Members should also refer to National Instrument 33-102 Regulation of Certain Registrant Activities, which came into force on August 1, 2001.

This Rule 2400 is applicable to retail clients only.

GENERAL PRINCIPLES

1. A Dealer Member may share premises with another financial services entity, whether or not the Dealer Member is related or affiliated with that entity.

2. A Dealer Member shall ensure that clients clearly understand with which legal entity they are dealing. The client may be informed through various methods, including appropriate signage and disclosure, as set out below. Dealer Members are reminded of Rule 29.7A, which deals with the use of trade names and legal names in connection with the conduct of Dealer Member business. This Rule shall be complied with regardless of the location of the Dealer Member or its branches.

3. The provisions of this Rule apply to the Dealer Member and its branches or sub-branch offices. Such sub-branch offices shall have no more than three registered representatives. The head office or a branch office of the Dealer Member firm shall be designated as having supervisory responsibility for the sub-branch.

DISCLOSURE OF SECURITIES RELATED ACTIVITIES

1. Where a Dealer Member opens an account for a client, the Dealer Member shall deliver a written disclosure statement outlining the relationship between the Dealer Member and the financial services entity and stating that the Dealer Member is a separate entity from the financial services entity. This disclosure is only required when the client is a client of a branch where there are shared premises.

2. At the time the account is opened, the Dealer Member shall obtain an acknowledgement from the client that specifically refers to the written disclosure statement required above and confirms that the client has read the written disclosure statement.

3. The acknowledgement may be obtained in a number of ways, including requesting the client's signature or initials at a designated place or that the client place a check in a check box. It is the responsibility of the Dealer Member to draw the client's attention to the disclosure.

4. For existing clients, the Dealer Member shall provide clients with a notice that contains the disclosure required in section 1 above.

CONFIDENTIALITY OF CLIENT INFORMATION

General

Where a client consents to the disclosure of confidential information, the information may be shared as set out in the consent disclosure document, described in section 2 below.

Consent for New Clients

1. This part does not apply to a Dealer Member subject to securities legislation in Quebec with respect to its dealings with clients in Quebec. In such circumstances, Dealer Members are advised to comply with *An Act Respecting the Protection of Personal Information in the Private Sector*, regarding the protection of personal information of their clients.

2. A Dealer Member shall hold all information about a client confidential and shall not disclose the information to representatives, employees or agents of another financial services entity located in the same premises, except as expressly permitted or required by law or the Rules, unless before disclosing the information

   (a) the Dealer Member provides at least the following information to the client to whom the information pertains:

      (i) the name of the financial services entity to which the information will be disclosed,

      (ii) the nature of the relationship between the Dealer Member and the financial services entity,

      (iii) the nature of the information that will be disclosed,

      (iv) the intended use of the information by the financial services entity, including whether that entity will disclose the information to others,

      (v) a statement that the client has the right to revoke the consent referred to in paragraph (b), and

      (vi) a statement that the client's consent under paragraph (b) is not required as a condition of the Dealer Member dealing with the client, except in circumstances described in section 3; and

   (b) the client provides specific and informed consent to the specific disclosure of the client information.

3. No Dealer Member shall require a client to consent to the Dealer Member disclosing confidential information regarding the client as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying a product or service, unless the disclosure of the information is reasonably necessary to provide the specific product or service that the client has requested.

4. Client consent may be obtained in a number of ways, including requesting the client's signature or initials at a designated place or that the client place a check in a check box. No Dealer Member shall use a "negative option" to obtain consent. A "negative option" would, for example, occur where a client who did not check a check-off box or initial an initial box would nonetheless be deemed to have consented.

5. Despite section 2, a Dealer Member does not need to obtain client consent to disclose confidential retail client information

(a) for audit, statistical or record-keeping purposes;

(b) to a law enforcement agency, securities regulatory authority or self-regulatory organization;

(c) for the collection of a debt owed by the client; or

(d) to a lawyer for the purposes of obtaining legal advice.

6. Dually Employed Representatives – Where registrants are dually employed such individuals shall not disclose any confidential client information to any person other than the staff of the entity with which the client is dealing or for the purpose of performing the relevant services for that client, unless the client's consent has been obtained.

Consent for Existing Clients

1. An existing client of a Dealer Member is considered to have provided consent, as required above, if the client:

(a) has provided consent, either positively or negatively, to the Dealer Member to disclose the confidential client information prior to the implementation of this Rule; and

(b) is provided with a notice that contains

(i) the disclosure required in section 2 above, and

(ii) a statement of the right of the client to withdraw his or her consent.

MINIMUM STANDARDS FOR SHARED PREMISES

1. Introduction – The following minimum standards are intended as guidelines for Dealer Members. The Corporation acknowledges that such standards may not be practicable in certain business arrangements, such as where there are numerous dually employed representatives or the Dealer Member engages in discount brokerage operations. The guiding objective behind the standards is to ensure clients are not confused as to which entity they are dealing. Based on the organization of business arrangements, Dealer Members may need to develop policies and procedures that differ from this Rule yet still achieve the underlying objective.

2. Telephone Operations – Clients should have a clear understanding of with which entity they are dealing when they call the Dealer Member or financial services entity. A shared receptionist is permitted. Separate directory listings for each entity are recommended.

3. Client Records – Dealer Members are required to keep client records separate from the records of the financial services entity. The financial services entity shall not have access to the client records of a Dealer Member unless the provisions relating to confidentiality above are complied with. Hard copies of client files shall not be accessible to representatives, employees or agents of the financial services entity. Electronic records must have separate passwords or other similar controls to ensure they are not accessible by the financial services entity. Separate computer hardware and software is recommended.

4. Signage – The legal names under which the Dealer Member and financial services entity operate must be clearly displayed in a prominent location such as the office entrance door or reception area. A business, trade or style name under which all the entities operate may also be displayed. The names of each individual representative of the entities need not be displayed.

5. Physical Premises – The layout of the shared location must ensure confidentiality of client information. The following guidelines apply:

(a) Separate entrances are not necessary;

(b) Where necessary to minimize client confusion and ensure confidentiality of records and privacy, and if permitted by resources and infrastructure, it may be advisable for representatives, employees or agents of the Dealer Member and the financial services entity to be situated in separate areas; and

(c) Client files, account process areas, etc. must be effectively controlled and physically secured.

6. CIPF Logo and Brochures – The CIPF logo and brochures must be displayed in a manner that makes it clear that they are applicable only to the Dealer Member and not to the other financial services entity.

7. Supervision

(a) Branch Managers

(i) Dual Employment - In some jurisdictions it is permissible that a trading officer be dually employed with an affiliated Dealer Member and non-Dealer Member, provided that the requirements of Rule 7.7 are satisfied. Such dually employed trading officers may be designated as a branch manager for both the Dealer Member and financial services entity. In other jurisdictions, securities legislation requires that different branch managers conduct supervision. In either situation, the branch manager may be on-site or off-site, as required by the circumstances.

(ii) Supervision – Branch managers are required to devote sufficient time to the supervision of the branch. In addition, Rule 2500 details specific supervisory requirements that branch managers must undertake. Rule 1300 details what is required for the supervision of accounts. Rule 29.27 in part requires periodic onsite reviews of branch office supervision to ensure that supervision is adequate. In addition, due to the sharing of office premises, branch managers have additional responsibilities with respect to the confidentiality of client records, the separation of files and operations, the issue of dually employed registrants, registrants not acting outside the limitations of their registration, etc.

(b) Adequate resources and appropriate systems – The Dealer Member must have written procedures and systems in place for the supervision of shared office premises reasonably designed to ensure that representatives adhere to the provisions contained in this Rule in order that clients are not confused as to with which entity they are dealing. The Dealer Member must have sufficient supervisory resources allocated at head office and at the shared office premises to effectively implement supervisory procedures required under this Rule. The Dealer Member must have a program for communicating the provisions in this Rule to the representatives at the shared office premises and ensuring that the provisions are understood and implemented.

(c) Administration Officer – An administration officer responsible for general office oversight may be shared between the Dealer Member and financial services entity. The administration officer is not required to be a registered person. Branch managers, however, are still required in order to supervise business practices and monitor compliance with Corporation and securities regulatory requirements.

8. Business Cards

(a) Where registrants are dually licensed as an investment adviser and life insurance representative, insurance legislation differs in the provinces regarding the use of separate or double-sided business cards. It is the responsibility of the Dealer Member to ensure compliance with applicable securities and insurance legislation.

(b) Where registrants are dually employed by a Dealer Member and a financial services entity, it is recommended that the registrant have double-sided business cards.

9. Permissible Non-Registrant Activities

(a) Non-registered personnel employed by the Dealer Member or representatives of the financial services entity may not conduct certain activities. These individuals may not:

(i) open client accounts at the Member,

(ii) distribute or receive order forms for securities transactions to be conducted through the Member,

(iii) assist clients in completing order forms for securities transactions to be conducted through the Member,

(iv) provide recommendations or any advice on any activity in or for the account of the Dealer Member,

(v) complete know-your-client information on a New Client Application Form other than the biographical information, and

(vi) solicit securities transactions to be conducted through the Dealer Member.

(b) However, these individuals are permitted to:

(i) advertise the services and products of the Member,

(ii) deliver or receive securities to or from clients,

(iii) contact clients to arrange appointments or give notice regarding deficiencies in completed forms,

(iv) provide information on the status of a client's account and provide account balances,

(v) provide quotes and other market information,

(vi) contact the public, including inviting the public to firm seminars and forwarding non-securities specific information,

(vii) receive completed New Client Application Forms to forward to the Dealer Member for approval, and

(viii) distribute New Client Application Forms, provided that

(1) apart from specific allowances described elsewhere in this Rule 2400, if assistance is given to a client in completing the Form, it is given by a registered person of the Dealer Member, or by the manager, assistant manager or credit officer in the branch where there is no registered person of the Dealer Member, provided that such person possesses a high degree of knowledge about the client's financial affairs, and

(2) before any trades are conducted on behalf of a client, the Form is approved by the designated person or branch manager in accordance with Rule 1300.2.

(c) It is recommended that sales assistants and other employees be assigned to either the Dealer Member or financial services entity rather than shared between both. If warranted by the circumstances, certain individuals should sign confidentiality agreements.

10. Prohibited Registrant Activities – Registrants are permitted to offer services and products to clients but only with respect to the category of registration within which they are licensed. For example, a mutual fund salesperson is registered solely for the purpose of trading in mutual fund shares or units. The purpose of this restricted category is to allow individuals whose business focuses on a single product to access the securities market with reduced registration requirements. Consequently, mutual fund salespersons may not offer or advise their clients with respect to securities in which they are not registered to trade, nor may they communicate client orders directly or indirectly to an investment dealer salesperson. Furthermore, mutual fund salespersons are permitted to accept orders only for the accounts at the dealer with which they are registered.

TIED SELLING

1. No Dealer Member shall require a client to purchase or use any product or services, either as a condition or on terms that would appear to a reasonable person to be a condition of selling particular securities.

2. No Dealer Member shall require a client to invest in particular securities, either as a condition or on terms that would appear to a reasonable person to be a condition for supplying or continuing to supply products or services.

3. These above provisions are not intended to prohibit relationship pricing or other beneficial selling arrangements similar to relationship pricing (whereby financial incentives or advantages are offered to clients).

RULE 2500

MINIMUM STANDARDS FOR RETAIL ACCOUNT SUPERVISION

Introduction

This Rule establishes minimum industry standards for retail account supervision. These standards were developed by the Joint Industry Compliance Group (now the Compliance and Legal Section).

These standards represent the minimum requirements necessary to ensure that a Dealer Member has in place procedures to properly supervise retail account activity. The Rule does not:

(a) relieve Dealer Members from complying with specific SRO by-laws, rules, regulations and policies and securities legislation applicable to particular trades or accounts; or

(b) preclude Dealer Members from establishing a higher standard of supervision and in certain situations a higher standard may be necessary to ensure proper supervision.

Many of the standards in this Rule are taken from existing Rules of the Corporation and of other self-regulatory organizations. Securities legislation was generally not canvassed. To ensure that a Dealer Member has met all applicable standards, Dealer Members are required to know and comply with Corporation and other self-regulatory organization by-laws, rules, regulations and policies and applicable securities legislation which may apply in any given circumstance.

The following principles have been used to develop these minimum standards:

(a) The term "review" in this Rule has been used to mean a preliminary screening to detect items for further investigation or an examination of unusual trading activity or both. It does not mean that every trade meeting the selection process of this Rule must be investigated. The reviewer must use reasonable judgement in selecting the items for further investigation.

(b) It has been assumed that Dealer Members have or will provide the necessary resources and qualified supervisors to meet these standards.

(c) The compliance with the know-your-client rule and suitability of investment requirements is primarily the responsibility of the registered representative. The supervisory standards in this Rule relating to know-your-client and suitability are intended to provide supervisors with a check-list against which to monitor the handling of these responsibilities by the registered representative.

A Dealer Member shall, for accounts where no commission is generated for trades placed by a client (such as a fee-based account where no commission is charged), develop supervisory policies for the review of such accounts at the branch and head office in lieu of the commission levels specified herein.

A Dealer Member may, with the written approval of its SRO, establish policies and procedures to carry out the supervision of client accounts pursuant to this Rule using criteria set out in, and by the persons designated by, such policies and procedures. Such policies and procedures may differ from this Rule in establishing the criteria used in selecting accounts for review and in the allocation of supervisory duties between Head Office and the Branch provided that, in the opinion of the SRO, the Dealer Member’s policies and procedures are appropriate to supervise trading of its clients.

I. Establishing and Maintaining Procedures, Delegation and Education

Introduction

Effective self-regulation begins with the Dealer Member establishing and maintaining a supervisory environment which both fosters the business objectives of the Dealer Member and maintains the self-regulatory process. To that end a Dealer Member must establish and maintain procedures which are supervised by qualified individuals. A major aspect of self-regulation is the ongoing education of staff in all areas of sales compliance.

A. Establishing Procedures

1. Dealer Members must appoint designated principals who have the necessary knowledge of industry regulations and Dealer Member policy to properly perform the duties.
2. Written policies must be established to document supervision requirements.
3. Written instructions must be supplied to all supervisors and alternates to advise them on what is expected of them.
4. All policies established or amended should have senior management approval.

B. Maintaining Procedures

1. Evidence of supervisory reviews must be maintained. Evidence of the review, such as inquiries made, replies received, actions taken, date of completion etc. must be maintained for seven years and on-site for 1 year.
2. An on-going review of sales compliance procedures and practices must be undertaken both at head office and at branch offices.
3. Closer supervision of trading by approved persons who have had a history of questionable conduct must be carried out both in the Branch and at Head Office.

C. Delegation

1. Tasks and procedures may be delegated but not responsibility.
2. The Dealer Member must advise supervisors of those specific functions that cannot be delegated. However, the accepting of discretionary accounts and the approval of new accounts may be delegated to qualified individuals.
3. The supervisor delegating the task must ensure that these tasks are being performed adequately and that exceptions are brought to his/her attention.
4. Those to whom tasks are delegated must have the qualifications to perform them and should be advised in writing what is expected.

D. Education

1. The Dealer Member's current sales practices and policies must be made available to all sales and supervisory personnel. Dealer Members should obtain and record acknowledgements from all sales and supervisory personnel that they have received, read and understood the policies and procedures relevant to their responsibilities.
2. Introductory and continuing education should be provided for all approved persons.
3. Information contained in compliance-related bulletins from the Corporation and other SROs and Regulatory Organizations must be communicated to all sales and other approved persons. Procedures relating to the method and timing of distribution of

compliance-related bulletins must be clearly detailed in the Dealer Member's written procedures.

II. Opening New Accounts

Introduction

To comply with the "Know-Your-Client" rule each Dealer Member must establish procedures to maintain accurate and complete information on each client. The first step towards compliance with this rule is completing proper documentation when opening new accounts. Accurate completion of the documentation when opening a new account allows both the registered representative and the supervisory staff to conduct the necessary review to ensure that recommendations made for any account are appropriate for the client and in keeping with his investment objectives. Maintaining accurate and current documentation will allow the registered representative and the supervisory staff to ensure that all recommendations made for any account are appropriate for the client and in keeping with the client's investment objectives.

A. Documentation

1. A New Account Application Form (NAAF) must be completed for each new account. Such forms shall be duly completed to conform with the "Know-Your-Client" rule.

2. The new account must be approved by the branch manager or the designated director, partner or officer, prior to the initial trade or promptly thereafter (next day). A NAAF must not be approved by the branch manager or the designated director, partner or officer until it is complete. 'Complete' means that all information necessary to assess suitability and creditworthiness has been obtained (and does not mean that the client must have signed the NAAF if the Dealer Member requires that the client sign the NAAF). Alternate procedures for securing interim approval will be acceptable to prevent undue delays provided the branch manager applies prompt final approval following the initial trade.

3. Where the client is an employee of another dealer, written approval by the employer to open an account must be obtained prior to the opening of such an account. Such accounts must be designated as non-client accounts.

4. A complete set of documentation must be maintained by the Dealer Member and registered representatives must maintain a copy of the NAAF.

5. The registered representative must update the NAAF where there is a material change in client information. Such update must be approved in the manner provided in paragraph (2).

6. When there is a change of registered representative, the new registered representative must verify the information on the NAAF to ensure it is current. There should be a signed acknowledgment by the new RR and branch manager that the NAAF has been reviewed. It is acceptable to make a photocopy of the old NAAF (provided that the NAAF was approved within two years of the review) and have the registered representative and branch manager initial any changes.

7. Account numbers must not be assigned unless they are accompanied by the proper name and address of the client and such name and address must be supported by the NAAF no later than the following day.

B. Pending Documents

1. Dealer Members must have procedures in place to ensure supporting documents are received within a reasonable period of time of opening the account.

2. Incomplete NAAFs and documentation not received must be noted, filed in a pending documentation file and be reviewed on a periodic basis.

3. Failure to obtain required documentation within 25 clearing days must result in positive actions being taken. The nature of the positive action must be specified in the Dealer Member's written procedures.

C. Client Master Files

1. Entering and amending client master files must be controlled and accompanied by proper documentation.

2. All hold mail must be authorized by the client in writing and be controlled, reviewed on a regular basis and maintained by the responsible supervisor.

3. Returned mail is to be properly investigated and controlled by a person who is independent of the sales function although such person may be located within a branch.

4. For supervisory purposes, "non-client" accounts, RRSP accounts, managed accounts, discretionary accounts and restricted accounts must be readily identifiable.

III. Branch Office Account Supervision

Introduction

Each branch manager must undertake certain activities within the branch for purposes of assessing compliance with regulatory requirements and the Dealer Member's policies. These activities should be designed to identify failures to adhere to required policy and procedure and provide a means of revealing and addressing undesirable account activity.

A. Daily Reviews

1. The branch manager (or designate) must review the previous day's trading using any convenient means. This review is undertaken to attempt to detect the following:

lack of suitability;

undue concentration of securities;

excessive trade activity;

trading in restricted securities;

conflict of interest between registered representative and client trading activity;

excessive trade transfers, trade cancellations etc. indicating possible unauthorized trading;

inappropriate / high risk trading strategies;

quality downgrading of client holdings;

excessive / improper crosses of securities between clients;

improper employee trading;

front running;

account number changes;

late payment;

outstanding margin calls;

violation of any internal trading restrictions.

2. In addition to transactional activity, branch managers must also keep themselves informed as to other client related matters such as:

client complaints;

cash account violations;

undisclosed short sales;

transfers of funds and securities between unrelated accounts or between pro and client accounts or deposits from pro to client accounts

trading under margin.

B. Monthly Reviews

1. Client and branch personnel monthly statements must be reviewed on a monthly basis and should encompass areas of concern as discussed in the daily activity review.

2. It is recognized that it may not be possible to review each statement produced. However, branch managers must review all monthly statements which produce gross commissions of $1,500 or more for the month.

3. All non-client accounts generating a statement must be reviewed on a monthly basis.

4. This review should be completed within 21 days of the period covered by the statement unless precluded by unusual circumstances.

IV. Head Office Account Supervision

Introduction

A two-tier structure is required to adequately supervise client account activity. While the head office or regional area level of supervision by its nature cannot be in the same depth as branch level supervision, it should cover all the same elements.

A. Daily Reviews

1. The criteria to be used to conduct daily head office reviews are the following:

stock trades with a value over $5,000 and a price under $5.00 per share;

stock trades with value over $20,000 and a price at or over $5.00 per share;

bond trades over $100,000 value per trade;

non-client trading;

client accounts of producing branch managers;

all client accounts not reviewed by a branch manager;

trade cancellations;

trading in restricted accounts;

trading in suspense accounts;

account number changes;

late payment;

outstanding margin calls.

2. Daily reviews should be completed within a day unless precluded by unusual circumstances.

B. Monthly Reviews

1. The criteria to be used to conduct monthly head office reviews are, among other things, the following:

clients' statements which generated more than $3,000 commission during the month;

where a branch manager is unable to conduct a review, all client and non-client accounts not reviewed by such branch manager which generated more than $1,500 commission during the month. This includes the accounts of producing branch managers.

2. Concentration of securities must be reviewed.

3. For all reviews evidence should be kept of inquiries, responses and actions.

4. Monthly reviews should be completed within 21 days of the period covered by the statement unless precluded by unusual circumstances.

V. Option Account Supervision

Introduction

Each Dealer Member dealing in options or Exchange traded commodity or index warrants must have an approved designated registered options principal (DROP) with overall responsibility for the opening of new option accounts and the supervision of account activity to ensure that all recommendations made for any account are and continue to be appropriate for the client and in keeping with his/her investment objectives. In addition, there should be an alternate registered options principal (AROP) to assist in supervisory activities and to carry out the functions of the DROP in his/her absence. All supervisory reviews must be conducted by options qualified personnel. Any branch trading in options must have a branch manager who is options qualified.

A. Account Opening and Approval

1. The option trading agreement and option account approval form must be completed, signed and on hand prior to the first trade. This applies to new accounts or existing accounts approved for other products.

2. The option trading agreement contents must meet or exceed Corporation requirements.

3. All accounts must be approved in writing by the option qualified branch manager or the DROP or the AROP.

4. The option account approval form must indicate any trading restrictions imposed.

B. Daily Reviews

1. Branch offices must review all option daily trading activity for suitability, exercise limits, concentration, commission activity, and exposure of uncovered positions.

2. Head office must review on a daily basis all opening option trading activity in excess of ten contracts in any one account. In all options accounts, Head Office must monitor all trading to ensure that positions or exercise limits are not exceeded.

C. Monthly Reviews

1. Branch offices must review on a monthly basis all option activity based on the same criteria as for regular equity trading activity.
2. Head office must review on a monthly basis all option activity based on the same criteria as for regular equity trading activity.

D. DROP Responsibilities

1. All discretionary and managed accounts must be reviewed by the DROP on a daily and monthly basis.
2. The DROP must establish procedures to ensure clients are notified of impending expiry dates.
3. The DROP must establish procedures ensuring the dissemination of new developments in the trading and regulation of options contracts in a prudent and appropriate manner; and the dissemination to all clients of any changes in a firm's business policy.
4. The DROP must ensure that only registered individuals engage in trading or advising in respect of options.
5. All advertising and market letters to more than 10 clients relating to options, must be approved by the DROP.
6. Solicitation of clients to use option programmes must have DROP approval.

VI. Future/Futures Options Account Supervision

Introduction

Each Dealer Member dealing in futures must have an approved designated registered futures principal (DRFP) with overall responsibility for the opening of new futures accounts and the supervision of account activity. In addition, there should be an alternate registered futures principal (ARFP) to assist in supervisory activities and to carry out the functions of the DRFP in his/her absence. The DRFP must ensure that only registered individuals engage in trading or advising in respect to futures and that all recommendations made for any account are and continue to be appropriate for the client and in keeping with his/her investment objectives. These minimum standards also apply to futures contract options and the designated registered futures options principal (DRFOP).

A. Account Opening and Approval

1. All accounts must be approved by a branch manager qualified as a futures contract supervisor, DRFP or ARFP prior to trading.
2. All clients must acknowledge in writing receipt of the information statement and summary disclosure statement prior to trading.
3. All clients must sign a futures contract trading agreement or letter of undertaking prior to trading.
4. Before granting approval to a client as a hedger procedures must be present for establishing acceptability of a client as a hedger including use of hedge letter or statement and verification procedures.
5. Any trading restrictions which apply to the account must be written on the new client account form.

B. Supervision

1. Daily Reviews

Dealer Members must conduct daily reviews of all futures and futures options trading activity. This review is undertaken to attempt to detect the following:

excessive day trading resulting in trading large numbers of contracts;

trading while under margin;

trading futures options without approval;

trading beyond margin or credit limits;

cumulative losses exceeding stated risk capital (the aggregate of cumulative profits and cumulative losses);

suitability;

inappropriate trading strategies;

position and exercise limits;

front running;

conflicts of interest;

excessive commission activity;

all guaranteed accounts.

2. Monthly Reviews

Dealer Members must conduct monthly reviews for futures and futures options trading activity. For example, a Dealer Member must review for:

speculative trading in hedge accounts;

cumulative losses exceeding stated risk capital (the aggregate of cumulative profits and cumulative losses);

trading beyond approved limits;

continual awareness of pending delivery months;

acceptability of a client as hedger;

all guaranteed accounts.

C. Discretionary Accounts

1. Futures discretionary accounts must meet all the requirements for equity discretionary accounts. In addition to the requirements for equity discretionary accounts a DRFP must conduct the following additional activities for futures and futures options.

2. Discretionary authority must be accepted in writing by DRFP.

3. DRFP must review monthly financial performance of each account.

VII. Discretionary and Managed Account Supervision

Introduction

Simple discretionary accounts are accounts where the discretionary authority has not been solicited.

Managed accounts are investment portfolios solicited for discretionary management on a continuing basis where the Dealer Member has held itself out as having special skills or abilities in the management of investment portfolios.

The Dealer Member must consent to accepting discretionary accounts and have the proper documentation and supervisory procedures in place to handle such accounts. A policy under which discretionary accounts are handled must be developed by the Dealer Member and distributed to all approved persons.

A. Simple Discretionary Accounts

1. Request for discretion must be approved in writing by a partner, director or officer (note: officer approval allowed only for Corporation and CDNX Members) appointed as the designated person.

2. A discretionary account agreement must be signed by the client and the Dealer Member and must include any restrictions to the trading authorizations which must be agreed to by the partner, director or officer.

3. No approved person may exercise discretionary authority over a client unless the account is maintained with the employer of the approved person.

B. Entry of Orders

1. All orders for discretionary accounts handled by registered representatives must be approved by a partner, director, branch manager or officer (if the officer is a designated person) prior to the order being entered.

2. If securities of the Dealer Member, or that of its affiliates, are publicly traded no discretionary account may hold those securities.

C. Account Supervision

1. Discretionary client account reviews must include all discretionary accounts handled by registered representatives, branch managers, partners, directors and officers.

2. Persons conducting reviews must have adequate "Know-Your-Client" information readily available for each discretionary account.

3. The Dealer Member must identify in its books and records discretionary accounts to ensure that proper supervision can occur.

4. Orders initiated for client accounts by producing branch managers and partners, directors and officers must be reviewed no later than next day by head office.

D. Termination of Agreement

Either the client or the Dealer Member may cancel the authorization for discretion provided that it is in writing, giving an effective date which allows the client to make other arrangements. The Dealer Member must give the client 30 days notice.

E. Managed Accounts

1. The Dealer Member must be approved by the Corporation to handle managed accounts and comply with all the requirements which are specifically detailed in the Rules. Only qualified portfolio managers may handle managed accounts.

2. The client must sign a managed account agreement.

3. Dealer Member must accept managed accounts in writing signed by a designated partner, director, officer or branch manager. The authorization must indicate the client's investment objectives.

4. In a managed account the Dealer Member cannot without the written consent of the client:

   Invest in an issuer in which the responsible person is an officer or director. No such investment may be made unless such office or directorship has been disclosed to the client;

   Invest in a security which is being bought or sold from a responsible person's account to a managed account;

   Make a loan to a responsible person or to an associate.

5. The Dealer Member must receive and acknowledge in writing cancellation by the client. The Dealer Member may terminate the arrangement in writing provided that it is not earlier than 30 days from the time of mailing.

VIII. Client Complaints

1. Each Dealer Member must establish procedures to deal effectively with client complaints.

   (a) The Dealer Member must acknowledge all written client complaints.

   (b) The Dealer Member must convey the results of its investigation of a client complaint to the client in due course.

   (c) Client complaints involving the sales practices of a Dealer Member, its partners, directors, officers or employees must be in writing and signed by the client and then handled by sales supervisors or compliance staff. Copies of all such written submissions must be filed with the compliance department of the Dealer Member.

   (d) Each Dealer Member must ensure that registered representatives and their supervisors are made aware of all complaints filed by their clients.

2. All pending legal actions must be made known to head office.

3. Each Dealer Member must put procedures in place so that senior management is made aware of complaints of serious misconduct and of all legal actions.

4. Each Dealer Member must maintain an orderly record of complaints together with follow-up documentation for regular internal/external compliance reviews. This record must cover the past two years at least.

5. Each Dealer Member must establish procedures to ensure that breaches of the by-laws, regulations, rules and policies of the SROs as well as applicable securities legislation are subjected to appropriate internal disciplinary procedures.

6. When a Dealer Member finds complaints to be a significant factor, internal procedures and practices should be reviewed, with recommendations for changes to be submitted to the appropriate management level.

RULE 2600

INTERNAL CONTROL POLICY STATEMENTS

TABLE OF CONTENTS

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

INTERNAL CONTROL POLICY STATEMENT 1

GENERAL MATTERS

This policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600."

Internal control is defined as follows:

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

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

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

(i) Recommended provisions set out in these Policy Statements;

(ii) Authoritative literature such as the Internal Control Guidelines published by Investment Industry Regulatory Organization of Canada and publications of the Canadian Institute of Chartered Accountants;

(iii) Comments on internal control that may have been made by internal and external auditors and by industry regulators, and actions that the Dealer Member has taken as a result;

(iv) The balance struck between preventive and detective internal controls. "Preventive controls are those which prevent, or minimize the chance of occurrence of, fraud and error. Detective controls do not prevent fraud and error but rather detect them, or maximize the chance of their detection, so that corrective action may be promptly taken. The known existence of detective controls may have a deterrent effect, and be preventive in that sense". (CICA Handbook, 5205.13)

The extent of preventive controls implemented by a Dealer Member will depend on management's view of the risk of loss and the cost-benefit relationship of controlling such risk. Where the inherent risk is high (e.g., cash, negotiable securities), the cost of effective preventive controls will usually be warranted and expected by industry regulators. On the other hand, where the inherent risk is very low (e.g., prepaid expenses, stock exchange seats), the cost of preventive controls would usually not be warranted nor expected by industry regulators. Further, in a circumstance where a preventive control is warranted, a detective control should not be considered to be a suitable alternative unless it will result in prompt detection of fraud and error and provide near certainty of recovery of the property that is the subject of the fraud or error.

For example, the safeguarding of customers' segregated securities warrants the implementation of highly effective preventive controls. Accordingly, Dealer Members safeguard such securities by placing them in recognized depositories whenever possible or storing them in bank and/or in-house vaults of an appropriate class suitable to insurers. It would not be appropriate to keep such securities in standard filing cabinets even if such securities were counted monthly since the risk of loss would be high and the possibility of recovery could be very low.

(v) Industry practice.

Determining whether internal control is adequate is a matter of judgement. However, internal control is not adequate if it does not reduce to a relatively low level the risk of failing to meet control objectives stated in this series of Policy Statements and, as a consequence, one or more of the following conditions has occurred or could reasonably be expected to do so:

(i) A Dealer Member is inhibited from promptly completing securities transactions or promptly discharging the Dealer Member's responsibilities to clients, to other brokers, or to the industry:

(ii) Material financial loss is suffered by the Dealer Member, clients or the industry;

(iii) Material misstatements occur in the Dealer Member's financial statements;

(iv) Violations of regulations occur to the extent that could reasonably be expected to result in the conditions described in (i) to (iii) above.

Other Policy Statements in this series set out control objectives, required and recommended firm policies and procedures and indications that internal control is not adequate. While recommended firm policies and procedures will be appropriate in many cases to meet the stated objectives, they constitute merely one of a number of methods which Dealer Members may utilize. It is recognized that Dealer Member firms may conduct their business in compliance with legal and regulatory requirements although they may employ procedures which differ from the recommended firm policies and procedures contained in the Policy Statements. The information is designed to provide guidance to Dealer Member firms in the preparation of procedures tailored to the specific needs of their individual environment in meeting the stated control objectives.

Dealer Members must maintain a detailed written record which as a minimum should include the specific policies and procedures approved by senior management to comply with these Internal Control Policy Statements. These policies and procedures must be reviewed and approved in writing by senior management at least annually, or more frequently as the situation arises, for their adequacy and suitability. One method of documentation is to note on a copy of this Statement the recommended policies and procedures which have been selected, and details of their performance such as who performs them, when, and how performance is evidenced. Other forms of documentation, such as procedures manuals, flow charts and narrative descriptions are recommended.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

INTERNAL CONTROL POLICY STATEMENT 2

CAPITAL ADEQUACY

This policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states ***"every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600."*** It should be read in the context of Policy Statement 1 dealing with General Matters.

This Policy Statement focuses on the monitoring of a Dealer Member firm's capital position, principally through its system of management reporting. The effectiveness of such monitoring depends in large measure on the timeliness, completeness and accuracy of the accounting books and records from which those management reports are drawn. Establishing and maintaining policies and procedures to ensure such timeliness, completeness and accuracy is part of a Dealer Member's responsibility for internal control. However, these matters are outside the scope of Policy Statement 2.

Control Objective

To monitor and act upon information produced by the management reporting system so that Risk Adjusted Capital is maintained at all times in an amount at least equal to the minimum required by regulation.

Minimum Required Firm Policies and Procedures

1. The Chief Financial Officer is responsible for continuous monitoring of the capital position of the firm to ensure that at all times Risk Adjusted Capital is maintained as prescribed by Corporation regulation.

2. The firm's planning process recognizes the projected capital requirements resulting from current and planned business activities.

3. Activity limits for the major functional areas of the firm (such as capital markets, principal trading, borrowing/lending, etc.) are designed to ensure that the combined operations of the firm maintain at least the minimum required amount of risk adjusted capital.

4. Such activity limits are approved by senior management and communicated to the executives responsible for the various major functional areas. Actual performance is compared to such limits by the Chief Financial Officer or designated person assigned the task of monitoring the capital position, and breaches are reported promptly to senior management.

5. At least weekly, but more frequently if required (e.g. the firm is operating close to early warning levels or volatile market conditions exist), the Chief Financial Officer or designated person assigned the task for monitoring the capital position documents that he/she has:

   (a) Received management reports produced by the accounting system showing information relevant to estimation of the capital position;

   (b) Obtained other information concerning items that, while they may not yet be recorded in the accounting system, are likely to significantly affect the capital position (e.g. bad and doubtful debts, unreconciled positions, underwriting and inventory commitments and margin requirements);

(c) Estimated the capital position, compared it to planned capital limits and the prior period and reported adverse trends or variances to senior management.

(d) Estimated the application to the Dealer Member of the liquidity and capital tests under the early warning calculations for Level 1 and/or Level 2 of Rule 30. In addition, at least monthly estimate the application of the profitability tests under the early warning calculations for Level 1 and/or Level 2 of Rule 30.

6. Senior management takes prompt action to avert or remedy any projected or actual capital deficiency and reports any deficiencies, when required, immediately to the appropriate regulators. In addition, senior management promptly reports to the appropriate regulators any conditions or circumstances that are, or should be, apparent from the actions required to be performed under this Statement that could require the Dealer Member to be designated in early warning Level 1 or Level 2 in accordance with Rule 30 because of the application of the liquidity, capital or profitability tests.

7. The month-end estimate of required and risk adjusted capital is reconciled to the Monthly Financial Report submitted for regulatory filing. Material discrepancies are investigated and steps taken to preclude re-occurrence.

8. At least annually there is a documented supervisory review of the firm's management reporting system related to capital, to identify and implement changes required to reflect developments in the business or in regulatory requirements.

Indications that Internal Control is not Adequate

- The accounting system produces information that is late or requires correction.
- Staff responsible for preparing risk adjusted capital reports lack an understanding of the regulatory requirements.
- Chief Financial Officer or person designated with the supervisory task of monitoring the capital position of the firm lacks an understanding of the business of the different functional areas of the firm and cannot properly evaluate their activities level and capital/risk implications for the firm.
- No steps are taken to establish the reliability of management reports utilized to monitor the capital position.
- Planning procedures fail to take into account the impact of planned activities on required capital.
- The firm is operating unexpectedly near its early warning levels.
- The firm experiences significant unexpected changes in its capital position.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

INTERNAL CONTROL POLICY STATEMENT 3

INSURANCE

This policy statement is one in a series that prescribes requirements for and provides guidance on compliance with the requirement in Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

Control Objective

To ensure that:

(a) The firm is in compliance with regulatory requirements for insurance;

(b) Other insurance coverage is in accordance with business needs; and

(c) Insurable losses are identified and claimed on a timely basis.

Minimum Required Firm Policies and Procedures

1. Insurance requirements and level of coverage are reviewed and approved at least annually by the Dealer Member's executive committee or board of directors.
2. A senior officer of the firm is designated by the Dealer Member's executive committee or board of directors as responsible for insurance matters.
3. The senior officer or designated person assigned the task reviews the terms of insurance policies regularly and ensures that the Dealer Member's operating procedures are designed to result in compliance with policy terms and regulations.
4. The senior officer or designated person assigned the task monitors business changes to evaluate the need for changes in coverage or operating procedures.
5. The senior officer or designated person assigned the task monitors business operations to ensure that insured losses are identified, insurer notified and claimed on a timely basis and their effect on aggregate limits are taken into account.
6. Senior management takes prompt action to avert or remedy any projected or actual insurance deficiency and reports any deficiencies, when required, immediately to the appropriate regulators.

Indications that Internal Control is not Adequate

- Staff responsible for insurance matters are ill informed of their duties or insufficiently trained.
- Material breaches of insurance policies which could result in denial of coverage are not detected on a timely basis.
- No steps are taken to establish the reliability of reports utilized for the monitoring of variables that may affect insurance coverage.
- Failure to report claims or failure to recover on claims thought to be covered.
- Deficiencies in coverage are indicated on regulatory capital filings.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

INTERNAL CONTROL POLICY STATEMENT 4

SEGREGATION OF CLIENTS' SECURITIES

This policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

Control Objective

To segregate clients' fully-paid and excess margin securities so that:

(a) The firm is in compliance with regulatory and legal requirements for segregation;

(b) Fully paid and excess margin securities are not improperly used.

Minimum Required Firm Policies and Procedures

1. At least twice weekly the information system produces a report of items requiring segregation (the "segregation report").
2. Items requiring segregation are placed in "acceptable securities locations" as defined by regulation on a timely basis.
3. Written custodial agreements with applicable regulatory provisions exist for securities held at acceptable securities locations.
4. Securities are moved into or out of segregation only by authorized personnel.
5. There is a daily supervisory review of compliance with segregation requirements for clients' securities according to the latest segregation report and of action taken to settle previously identified deficiencies.
6. If any segregation deficiency exists, the most appropriate action prescribed by regulation required to settle the deficiency is taken expeditiously.
7. There is supervisory review or other procedures in place to ensure the completeness and accuracy of segregation reports.
8. If any segregation deficiency is identified in such supervisory review, the most appropriate action required to settle the deficiency is taken expeditiously.
9. Management has set reasonable guidelines so that any material segregation deficiency is reported to senior management on a timely basis.
10. At least annually there is a documented supervisory review of firm policies and procedures to identify and correct any divergence from regulatory requirements.

Indications that Internal Control is not Adequate

- Insufficient attention is paid to preventing violations of legal and regulatory provisions concerning securities held in segregation, including preventing the hypothecation of fully paid and excess margin securities.
- Staff responsible for segregation procedures are ill informed of their duties or insufficiently trained.

- No steps are taken to establish the reliability of segregation reports utilized (e.g. by a service bureau).
- Segregation deficiencies persist for an extended period of time without proper management attention.
- Securities are held at locations that do not meet the criteria of an acceptable securities location and/or without a written custodial agreement.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

INTERNAL CONTROL POLICY STATEMENT 5

SAFEKEEPING OF CLIENTS' SECURITIES

This policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

Control Objective

To provide safekeeping services to clients so that:

(a) The firm is in compliance with regulatory requirements for safekeeping;

(b) Securities in safekeeping are not improperly used.

Minimum Required Firm Policies and Procedures

1. Securities held in safekeeping are held pursuant to a written safekeeping agreement with the client.
2. There are procedures in place to ensure that safekeeping securities are kept apart from all other securities.
3. Securities held in safekeeping are recorded as such in the firm's securities position records, client's ledger and statement of account.
4. Securities held in safekeeping are released only on instruction from the client.

Indications that Internal Control is not Adequate

- Insufficient attention is paid to preventing violations of legal and regulatory provisions concerning securities held in safekeeping, including those requiring them to be:
  - (i) Kept apart from all other securities held by the firm;
  - (ii) Not used to finance the operations of the firm;
  - (iii) Registered in the name of the client;
  - (iv) Not released solely because the client has become indebted to the firm.
- A client's power of attorney on hand for securities held in safekeeping is held by personnel having access to the securities.
- Physical access to securities held in safekeeping is not restricted to a minimum number of authorized persons.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

INTERNAL CONTROL POLICY STATEMENT 6

SAFEGUARDING OF SECURITIES AND CASH

This Policy Statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states ***"every Dealer Member shall establish and maintain adequate internal controls in accordance with internal control policy statements in Rule 2600."*** It should be read in context of Policy Statement 1 dealing with General Matters.

Control Objective

To safeguard both firm and client securities and cash so that:

(a) Securities and cash are protected against material loss; and

(b) Potential losses are detected and reported (for regulatory, financial and insurance purposes) on a timely basis.

Minimum Required Firm Policies and Procedures

(It is recognized that Dealer Members with small operations may not be able to comply with the segregation of duties requirements due to the limitation inherent in the size of their firm and operations. To the extent that these minimum requirements are inappropriate in the operations of such Dealer Members, they would not be required to follow them and must implement compensating control procedures to meet the stated control objectives of this Policy Statement.)

1. Receipt and Delivery of Securities

(a) Personnel responsible for the receipt and delivery of securities do not have access to the record keeping of such securities.

(b) Securities handling is done in a restricted and secure area.

(c) Receipts and deliveries are promptly and accurately recorded (certificate numbers, registrations, coupon numbers, etc.).

(d) Negotiable certificates delivered through the mail are sent by means of registered mail.

(e) Signed receipts are obtained from the client or agent for all securities delivered free.

2. Restricted Access to Securities

(a) Only designated individuals are permitted to physically handle securities.

(b) Physical handling of securities is carried out in a restricted and secure area.

(c) Custody of securities is entrusted to individuals not involved in maintaining or balancing of stock records.

(d) Vault facilities are physically appropriate to the value and negotiability of the securities they contain.

3. Clearing

(a) Clearing reports containing the settlement activity from the previous day are compared and balanced to company records promptly.

(b) The reconciliation of the clearing or settlement of accounts should be performed by firm personnel independent of trading.

(c) Prompt action is taken to correct differences.

(d) Aged "fails" to deliver and receive are reviewed regularly to determine reason(s) for delay in settlement.

(e) Any fail that continues for an extended period of time is reported promptly to senior management.

(f) Client securities are not used in settling short "pro" sales unless the client's written permission has been obtained, appropriate collateral is provided to the client, and the use of such securities is not contrary to any laws.

(g) Clearing records are reconciled regularly to clearing house and depository records to ensure agreement of securities and cash on deposit.

4. Custody

(a) A risk assessment is performed on any securities location which holds securities on behalf of the firm and its clients.

(b) Limits are set on the value of securities or other assets (e.g. gold, letters of credit, dividends, interest, etc.) held at any securities location.

(c) The firm has a proper written agreement with each acceptable securities location used to hold securities as required by SRO regulation.

(d) Processing controls include an adequate division of duties over the recording of entries and over the initiation of transfers made on the records of the depositories (e.g. transfers between "free" and "seg").

(e) Security and other asset positions as per the company's records are reconciled on a regular basis (at least monthly) to the positions as per the custodian's records. Differences are investigated and appropriate adjustment entries are made.

5. Security Records

(a) Personnel responsible for maintaining and balancing stock records are not involved in custody of the physical securities.

(b) Stock records are promptly updated to reflect changes in the location and ownership of all securities under the firm's control.

(c) Journal entries made to stock records are clearly identified and adjustments are properly reviewed and approved before processing.

6. Security Counts

(a) Segregated and safekeeping securities are counted at least once a year in addition to the count conducted during the annual external audit as required by SRO regulation.

(b) Securities contained in current boxes are counted at least monthly.

(c) Interim surprise counts are conducted by individuals other than those who have custody of securities.

(d) Count procedures ensure that all physical securities are included and related positions such as transit and transfers are also verified simultaneously.

(e) During a security count, both the descriptions of the security and quantity should be compared to the records of the firm. Any discrepancies should be investigated and corrected promptly. Positions not reconciled within a reasonable period are reported promptly to senior management and accounted for promptly.

7. Branch Transits

(a) Separate transit accounts are used on the security position records to record the location of certificates in transit between each office of the firm. These accounts are reconciled on a monthly basis.

(b) Entries are made to book out securities to or from the branch to the transit account, and then upon physical receipt the securities are booked from the transit account to the receiving branch.

(c) The receiving branch checks securities received against the accompanying transit sheet.

(d) Methods of transportation selected for securities in transit comply with insurance policy terms and take into account value, negotiability, urgency, and cost factors.

8. Transfers

(a) A record is maintained showing all securities sent to and held by transfer agents.

(b) Authority to request transfers into a name other than the firm's name is restricted to designated individuals outside the transfer department and is permitted only in respect of fully-paid securities (new issues excepted).

(c) The transfer department executes transfers only upon receipt of a properly authorized request.

(d) Securities out for transfer are recorded as such in the firm's security position record.

(e) All positions for securities at transfer agents are supported by a receipt.

(f) An ageing of all transfer positions is prepared weekly and reviewed by management to verify the validity of the positions and the reasons for any undue delay in receiving securities from transfer agents.

(g) The duties of personnel handling transfers do not include other security cage functions such as deliveries, current box or segregation.

9. Re-Organization

(a) A formal procedure exists to identify and document the timing and terms of all forthcoming rights, offers, etc.

(b) There is a clear method of communicating forthcoming re-organization activity to the sales force, including deadlines for submitting special instructions in writing including any special handling procedures required around the key dates.

(c) Responsibilities for organizing and handling each offer are clearly assigned to a single person or department.

(d) Procedures to balance positions daily and to provide for the physical control of these securities are clearly defined.

(e) Suspense accounts involving offers and splits are reconciled and reviewed regularly.

10. Dividends and Interest

(a) A system is in place to record the total amounts of dividends and interest payable and receivable at due date.

(b) Individuals in charge of record keeping do not handle cash or authorize payments.

(c) Dividend and interest accounts are reconciled at least monthly and reviews performed of aged dividend receivables.

(d) Write-offs are authorized by the department manager or other senior personnel only.

(e) Journal entries to and from dividend and interest accounts are approved by the supervisor/manager.

(f) Other than as part of an automatic settlement system dividend claims are not paid unless accompanied by supporting documents, proof of registration, etc. Such supporting documents are compared to internal records for validity and approved by a senior member of the department.

(g) Non-resident tax is withheld where applicable by law.

(h) A system is in place to ensure appropriate reporting of client income for income tax purposes, as required by law.

11. Internal Accounts

(a) Internal accounts are reconciled at least monthly.

(b) The reconciliation is subject to a supervisory review.

12. Cash

(a) A senior official is responsible for reviewing and approving all bank reconciliations.

(b) Bank accounts are reconciled, in writing, at least monthly, with identification and dating of all reconciling items.

(c) Journal entries to clear reconciling items are made on a timely basis and approved by management.

(d) The reconciliation of bank accounts is performed by someone without incompatible functions, including access to funds (both receipts and disbursements), access to securities and record keeping responsibilities, including the authority to write or approve journal entries.

(e) Approval levels required to requisition a cheque are established by senior management.

(f) Cheques are pre-numbered and numerical continuity is accounted for.

(g) Cheques are signed by two authorized individuals.

(h) Cheques are only signed when the appropriate supporting documentation is provided. The supporting documentation is cancelled after the cheque is signed.

(i) Where facsimile signature is used, access to the machine is limited and supervised.

Recommended Firm Policies and Procedures

Messengers

(a) Background checks are performed when messengers are hired to ensure their integrity and reliability.

(b) Messengers receive adequate training.

(c) Messengers perform an initial inspection of cheques and securities received for quantity, amount, description, negotiability, etc.

(d) Messengers obtain a receipt or valid security of equivalent value upon delivery of cheques or securities.

(e) Management sets carrying limits and monitors them to ensure compliance with insurance policy terms.

Indications that Internal Control is not Adequate

- There is a significant number and dollar value of unreconciled positions and balances.
- Significant differences in reconciliations are not resolved on a timely basis.
- A large number of staff is involved in reconciling positions.
- Material losses have occurred.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

INTERNAL CONTROL POLICY STATEMENT 7

PRICING OF SECURITIES

This policy statement is one in a series that prescribes for and provides guidance on compliance with the requirement in Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statements in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters."

This policy statement specifically addresses the control environment in which a Dealer Member prices securities. For guidance on the valuation of securities or definition of "market value", refer to Corporation Form 1 - General Instructions and/or Regulation 96 made under the Ontario Securities Act.

CONTROL OBJECTIVE

To ensure that:

a) There is independent and timely verification of security prices designed to detect errors or omissions in the pricing of securities;

b) Security pricing discrepancies are identified and corrected on a timely basis and reviewed and approved by senior management.

c) There is consistency of procedures in the pricing of all types of securities.

d) There is accuracy and completeness of the pricing of securities and to ensure the reliability of prices.

MINIMUM REQUIRED FIRM POLICIES AND PROCEDURES

1. Information sources used for the Dealer Member's pricing records should be reputable and independently verifiable. The continued use of these pricing sources should be reviewed on an annual basis by senior management to ensure that they are still appropriate and meet the needs of the Dealer Member firm.

2. Verification of security prices must take into consideration documented member policies as to criteria in determining the market value of securities consistent with SRO Rules.

3. There should be documented procedures in place to ensure appropriate pricing for all security records of the member for purposes of preparing management reports used to monitor profit and loss, and the regulatory capital position of the member. These functions should be performed by a knowledgeable, authorized individual who is properly supervised.

4. Personnel involved with trading of securities do not have access to back office security price records and should not be involved in the pricing process, recording and storage of pricing data; and if they are involved there should be compensating controls, appropriate review and approval.

5. Independent security pricing verification must be carried out for each month-end at a minimum. The results of the verification procedures must include quantification of all differences (distinguished between adjusted and unadjusted differences) and follow-up of any material differences to the Dealer Member including a review and approval by senior management.

6. Supporting documentation must be maintained evidencing verification of securities pricing and adjustments.

7. Procedures are in place to ensure daily mark to market of a Dealer Member’s security positions "owned and sold short" for profit and loss reporting in accordance with SRO requirements.

8. Dealer Members inventory profit and loss information must be reviewed by knowledgeable and authorized staff who are adequately supervised and are independent of the Dealer Member’s trading function.

INDICATIONS THAT INTERNAL CONTROL IS NOT ADEQUATE

- Inconsistent methods used during the month to value and report client security portfolio (last sale price, last bid or ask price).
- No evidence of a review of "flagged" security price over-rides on EDP reports, or audit trail of price change.
- High error rate on margin calls and/or collateral re-pricing of financing transactions.
- Unexplained fluctuation in trader inventory profit and loss trading.
- Foreign exchange security denomination not considered in security pricing.
- Security price information provided by independent vendor service is effectively based on the price information supplied by the member itself due to its market share or trading as market maker in a specific security or group of securities.
- The existence of more than one price for the same security on management reports.
- Numerous back dated adjustments to correct security price information.
- No procedures for new product development initiation and rollout within the Dealer Member’s organization and evidence of management review and approval.
- Lack of segregation of duties.

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

INTERNAL CONTROL POLICY STATEMENT 8

DERIVATIVE RISK MANAGEMENT

The policy statement is one in a series that prescribes requirements for and provides guidance on compliance with Rule 17.2A that states "every Dealer Member shall establish and maintain adequate internal controls in accordance with the internal control policy statement in Rule 2600." It should be read in the context of Policy Statement 1 dealing with General Matters.

CONTROL OBJECTIVE

Derivatives are financial instruments whose values are derived from, and reflect changes in, the prices of the underlying products. They are designed to facilitate the transfer and isolation of risk and may be used for both risk transference and investment purposes. This policy statement includes all types of derivatives i.e. exchange traded and over-the-counter derivatives.

The control objective is to ensure that:

a) There is a risk management process of identifying, measuring, managing and monitoring risks associated with the use of derivatives.

b) Management demonstrates their understanding of the nature and risks of all derivative products being used in treasury, trading and sales.

c) Written policies and procedures exist that clearly outline risk management guidance for derivatives activities.

MINIMUM REQUIRED FIRM POLICIES AND PROCEDURES

1. ROLE OF BOARD OF DIRECTORS

(i.) Approve all significant risk management policies to ensure that they are consistent with the broader business strategies of the firm.

(ii.) These policies must be reviewed and amended as business and market circumstances change.

(iii.) Senior management must report at least annually to the board on risk exposures taken by the firm except for exchange traded options.

2. ROLE OF SENIOR MANAGEMENT

(i.) Senior management must be responsible for ensuring that there are adequate written policies and procedures for conducting derivatives operations on both a long-range and day-to-day basis. This includes:

- A clear delineation of the lines of responsibility for managing risk
- An adequate system for measuring risk
- Appropriate risk position limits
- An effective system of internal controls
- A comprehensive reporting process

(ii.) Ensure that if limits are exceeded, there must be a system in place so that such occurrences are made known to senior management and approved only by authorized personnel.

(iii.) Ensure that all appropriate approvals are obtained and that adequate operational procedures and risk control systems are in place.

(iv.) Ensure risk control systems appropriate for the product are in place to address market, credit, legal, operations and liquidity risk.

(v.) Ensure that their derivatives activities are undertaken by professionals in sufficient number and with the appropriate experience, skill levels, and degrees of specialization.

(vi.) Ensure that management designates the appropriate officer to commit their institutions to derivatives transactions.

(vii.) Ensure that there is a regular evaluation of the procedures in place to manage risk to ensure that those procedures are appropriate and sound.

(viii.) Ensure that all standard and non-standard derivative product programs are approved.

(ix.) Ensure that there is an accurate, complete, informative and timely management information system. The risk management function should monitor and report its measures of risks to appropriate levels of senior management and to the board of directors of the firm.

3. PRICING

(i.) Refer to Internal Control Policy Statement 7, "Pricing of Securities."

(ii.) Derivatives positions should be marked to market on at least a daily basis.

(iii.) All pricing models used must be independently validated, including those models that compute market data or model inputs by an independent risk management function must review and approve the pricing models and valuation systems used by front- and back-office personnel and the development of reconciliation procedures if different systems are used.

(iv.) Valuations derived from models must be independently scrutinized at least monthly.

4. INDEPENDENT RISK MANAGEMENT

(i.) Dealer Members must have a risk management function, with clear independence and authority to ensure the development of risk limit policies and monitoring of transactions and positions for adherence to these policies.

(ii.) The financial accounting departments of Dealer Member firms are required to measure the components of revenue regularly and in sufficient detail to understand the sources of risk.

INDICATIONS THAT INTERNAL CONTROL IS NOT ADEQUATE

- The firm does not have a pervasive risk management cyclical process philosophy of identification, measurement, management and monitoring.
- The firm does not have written policies on the use and marketing of derivative instruments.
- The firm does not have a policy of preparing deal and booking memoranda which explain the business purpose and profitability of a transaction as well as how to record (from a financial and regulatory perspective) the transaction.
- If the firm utilizes models to mark instruments to market and that
- the models are not independently verified
- Periodically (at least monthly) the market input parameters, such as yields and volatility's have not been independently scrutinized.
- Financial reporting personnel have difficulty explaining major derivatives P&L changes or components of revenue or loss.
- Financial reporting personnel have difficulty preparing financial disclosures on a timely basis.
- The firm has no established off market pricing policies for independent assessment and approval.
- The firm does not have an independent risk management process reporting to the senior management or board of directors.
- The firm does not have master netting agreements and various credit enhancements, such as collateral or third-party guarantees, to reduce its counterparty credit risk, if available.
- The firm does not have any guidelines and processes in place to ensure the enforceability of counterparty agreements.

RULE 2700

MINIMUM STANDARDS FOR INSTITUTIONAL ACCOUNT OPENING, OPERATION AND SUPERVISION

Introduction

This Rule covers the opening, operation and supervision of institutional accounts, which are accounts for investors that are not individuals who meet the requirements of the definition herein.

This document sets out minimum standards governing the opening, operation and supervision of institutional accounts.

Pursuant to Rules 29.27 and 38, the Dealer Member must provide adequate resources and qualified supervisors to achieve compliance with these standards.

Adherence to the minimum standards requires that a Dealer Member have in place procedures to properly open and operate institutional accounts and monitor their activity. Following these minimum standards, however, does not:

(a) relieve a Dealer Member from complying with specific SRO by-laws, rules, regulations and policies and securities or other legislation applicable to particular trades or accounts; (e.g. best execution obligation, restrictions on short selling, order designations and identifiers, exposure of customer orders, trade disclosures);

(b) relieve a Dealer Member from the obligation to impose higher standards where circumstances clearly dictate the necessity to do so to ensure proper supervision; or

(c) preclude a Dealer Member from establishing higher standards.

Any account which is not an institutional account governed by these standards will be governed by the Minimum Standards for Retail Account Supervision (Rule 2500).

A Dealer Member may, with the written approval of the Corporation, establish policies and procedures that differ from this Rule, provided that, in the opinion of the Corporation, the Dealer Member's policies and procedures are appropriate to supervise trading of its institutional customers.

I. Account Opening

A. Definition of an Institutional Customer

For the purposes of this Rule, the following are defined as institutional customers:

1. Acceptable Counterparties (as defined in Form 1);
2. Acceptable Institutions (as defined in Form 1);
3. Regulated entities (as defined in Form 1);
4. Registrants (other than individual registrants) under securities legislation;
5. A non-individual with total securities under administration or management exceeding $10 million.

B. Customer Suitability

1. When dealing with an institutional customer, a Dealer Member must make a determination whether the customer is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed to that institutional customer. Where a Dealer Member has reasonable

grounds for concluding that the institutional customer is capable of making an independent investment decision and independently evaluating the investment risk, then a Dealer Member's suitability obligation is fulfilled for that transaction. If no such reasonable grounds exist, then the Dealer Member must take steps to ensure that the institutional customer fully understands the investment product, including the potential risks.

2. In making a determination whether a customer is capable of independently evaluating investment risk and is exercising independent judgment, relevant considerations could include:

   (a) any written or oral understanding that exists between a Dealer Member and its customer regarding the customer's reliance on the Dealer Member;

   (b) the presence or absence of a pattern of acceptance of the Dealer Member's recommendations;

   (c) the use by a customer of ideas, suggestions, market views and information obtained from other Dealer Members, market professionals or issuers particularly those relating to the same type of securities;

   (d) the use of one or more investment dealers, portfolio managers, investment counsel or other third party advisors;

   (e) the general level of experience of the customer in financial markets;

   (f) the specific experience of the customer with the type of instrument(s) under consideration, including the customer's ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk; and

   (g) the complexity of the securities involved.

3. No suitability obligation shall exist pursuant to Section B(1) nor is a determination required under Section B(2) where a Dealer Member executes a trade on the instructions of another Dealer Member, a portfolio manager, investment counsel, limited market dealer, bank, trust company or insurer.

C. New Account Documentation and Approval

The following documentation is required for each institutional account opening:

1. New customer account form; and

2. All documentation as required by the self-regulatory organization governing the Dealer Member.

The Dealer Member may establish a 'master' new account documentation file, containing full documentation and, when opening sub-accounts, it should refer to the principal or 'master' account with which it is associated.

Each new account must be approved by the Department Head or his/her designate who is a partner, director or officer, prior to the initial trade or promptly thereafter. Such approval must be documented in writing or auditable electronic form.

The Dealer Member must exercise due diligence to ensure that the new customer account form is updated whenever the Dealer Member becomes aware that there is a material change in customer information.

II. Establishing and Maintaining Procedures, Delegation and Education

Introduction

Effective self-regulation begins with the Dealer Member establishing and maintaining a supervisory environment which fosters both the business objectives of the Dealer Member and maintains the self-regulatory process. To that end, a Dealer Member must establish and maintain procedures which are supervised by qualified individuals.

A. Establishing Procedures

1. Dealer Members must appoint a designated supervisor, who is a partner, director or officer and has the necessary knowledge of industry regulations and Dealer Member policy to properly establish procedures reasonably designed to ensure adherence to regulatory requirements and to supervise Institutional Accounts.
2. Written policies must be established to document and communicate supervisory requirements.
3. All supervisory alternates must be advised of and adequately trained for their supervisory roles.
4. All policies established or amended should have senior management approval.

B. Maintaining Procedures

1. Evidence of supervisory reviews must be maintained for seven years and on-site for one year.
2. A periodic review of supervisory policies and procedures should be carried out by the Dealer Member to ensure they continue to be effective and reflect any material changes to the businesses involved.

C. Delegation of Procedures

1. Tasks and procedures may be delegated but not responsibility.
2. The supervisor delegating the task must take steps designed to ensure that these tasks are being performed adequately and that exceptions are brought to his/her attention.
3. Those to whom tasks are delegated must have the qualifications to perform them and should be advised in writing what is expected.

D. Education

1. The Dealer Member's current sales practices and policies must be made available to all sales and supervisory personnel. Dealer Members should obtain and record acknowledgements from all sales and supervisory personnel that they have received, read and understood the policies and procedures relevant to their responsibilities.
2. A major aspect of self-regulation is the ongoing education of staff. The Dealer Member is responsible for appropriate training of institutional sales and trading staff, as well as ensuring that Continuing Education requirements are being met.

E. Compliance Monitoring Procedures

Dealer Members must establish compliance procedures for monitoring and reporting adherence to rules, regulations, requirements, policies and procedures. A compliance monitoring system should be reasonably designed to prevent and detect violations. The

compliance monitoring system will ordinarily include a procedure for reporting results of its monitoring efforts to management and, where appropriate, the board of directors or its equivalent.

III. Supervision of Accounts

A. Policies and Procedures

1. Dealer Members must implement policies and procedures for the supervision and review of activity in the accounts of institutional customers. Such procedures may include periodic reviews of account activity, exception reports or other means of analysis.

2. The policies and procedures may vary depending on factors including, but not limited to, the type of product, type of customer, type of activity or level of activity.

3. The policies and procedures should outline the action to be taken to deal with problems or issues identified from supervisory reviews.

B. Account Activity Detection

The supervisory procedures and the compliance monitoring procedures should be reasonably designed to detect account activity that is or may be a violation of applicable securities legislation, requirements of any self-regulatory organization applicable to the account activity and the rules and policies of any marketplace on which the account activity takes place, and would include the following:

1. Manipulative or deceptive methods of trading;

2. Trading in restricted list securities;

3. Employee or proprietary account frontrunning;

4. Exceeding position or exercise limits on derivative products; and

5. Transactions raising a suspicion of money laundering or terrorist financing activity.

IV. Client Complaints

1. Each Dealer Member must establish procedures to deal effectively with client complaints.

   (a) The Dealer Member must acknowledge all written client complaints.

   (b) The Dealer Member must convey the results of its investigation of a client complaint to the client in due course.

   (c) Client complaints involving the sales practices of a Dealer Member, its partners, directors, officers or employees must be in writing and signed by the client and then handled by sales supervisors or compliance staff. Copies of all such written submissions must be filed with the compliance department of the Dealer Member.

   (d) Each Dealer Member must ensure that registered representatives and their supervisors are made aware of all complaints filed by their clients.

2. All pending legal actions must be made known to head office.

3. Each Dealer Member must put procedures in place so that senior management is made aware of complaints of serious misconduct and of all legal actions.

4. Each Dealer Member must maintain an orderly record of complaints together with follow-up documentation for regular internal/external compliance reviews. This record must cover the past two years at least.

5. Each Dealer Member must establish procedures to ensure that breaches of the by-laws, regulations, rules and policies of the SROs as well as applicable securities legislation are subjected to appropriate internal disciplinary procedures.

6. When a Dealer Member finds complaints to be a significant factor, internal procedures and practices should be reviewed, with recommendations for changes to be submitted to the appropriate management level.

RULE 2800

CODE OF CONDUCT FOR CORPORATION DEALER MEMBER FIRMS TRADING IN WHOLESALE DOMESTIC DEBT MARKETS

PREFACE

Purpose

Rule 2800 describes the standards for trading by market participants in wholesale domestic Canadian debt markets. This Corporation policy was developed jointly with the Bank of Canada and Department of Finance to ensure the integrity of Canadian debt securities markets and thereby to encourage liquidity, efficiency and the maintenance of active trading and lending and promote public confidence in such debt markets.

In its application to Corporation Dealer Member Firms, Rule 2800 is supplementary to and explanatory of the Rules of the Corporation. It does not replace or restrict the application of the Rules to the wholesale domestic debt market.

History

In the spring of 1998 the Bank of Canada and Department of Finance introduced several initiatives, in consultation with the Investment Dealers Association (a predecessor organization of the Investment Industry Regulatory Organization of Canada) and other market participants, to maintain a well-functioning market in Government of Canada securities.

These actions were prompted by what was perceived as potential challenges to the liquidity and integrity of debt markets, including such factors as declining benchmark issue size in response to falling government borrowing requirements, the predominance of heavily capitalized market-makers and the emergence of levered market participants[2].

The federal government has defined its jurisdiction over domestic debt markets as the new issue or primary markets for Government of Canada securities. Since the liquidity and integrity of secondary markets are also at risk from reduced issue size, and capitalized and levered market participants, the Investment Dealers Association worked with the Bank of Canada and Department of Finance to develop a formal code of conduct for dealing practices in wholesale (i.e. institutional) domestic debt markets. This code of business conduct is embodied for Corporation Dealer Members in Rule 2800, and is intended by the participants in its development to be applicable in principle to all participants in wholesale domestic markets. It complements the federal government's objective to safeguard the liquidity and integrity of domestic markets.

The Corporation and the Provincial securities regulatory authorities (collectively the Canadian Securities Administrators (CSA)) also have in place specific and general rules that regulate domestic secondary market trading carried out by Corporation member firms. Rule 2800 provides further amplification and, in some cases, broader application of these rules in relation to domestic debt markets.

In 2002 the CSA and Corporation conducted, through an independent consultant, a survey of domestic debt market participants, including Dealer Members, to determine whether they were encountering any problems in the debt market. The survey was followed by reviews of a number of Corporation Dealer

---

[2] New auction rules (www.bankofcanada.ca/en/auct.htm#rules) were developed to set out the administrative and reporting procedures for Primary Dealers and Government Securities Distributors, and for their clients bidding at auctions for Government of Canada treasury bills and bonds. There were also revisions to the Terms of Participation, which defines the nomenclature for IDA member firms and chartered banks eligible to bid at Government of Canada securities auctions and the rules and responsibilities governing these designated Primary Dealers and Government Securities Distributors.

Members by Corporation Staff to further delineate the issues, one of which was the difficulty of developing operational and supervisory procedures from the general provisions of Rule 2800. In 2004 the Corporation struck a committee to revise Rule 2800. That committee has worked with the Bank of Canada and the Department of Finance to develop this version of Rule 2800.

Application

While Rule 2800 applies directly only to Corporation member firms and their related companies (as defined in Rule 1.1), which play an active and integral role in domestic debt markets, this code of conduct should also guide the actions of all other market participants. Examples of such market participants are chartered banks, which play a role in the marketplace analogous to Corporation member firms, insurance companies, money managers, pension funds, mutual funds and hedge funds. The Bank of Canada and the Department of Finance are joining the Corporation in taking steps to make these institutions aware of the Corporation code of conduct and encourage them to adopt and enforce similar rules. Dealer Members should also promote the standards established in this Rule among their affiliates, customers, and counterparties

Aspects of the Rule require the co-operation of affiliates and customers of Dealer Members, for example in reporting and certain disclosure, and Dealer Members are expected to conduct their business in a way that will encourage compliance with the Rule by affiliates, customers and counterparties to the extent applicable.

Moreover, dealings between Dealer Members, their related companies, affiliates, customers and other counterparties must be on terms which are consistent with this Rule and such dealings shall be deemed to include any terms necessary for a party to implement or comply with this Rule. Dealer Members must not condone or knowingly facilitate conduct by their affiliates, customers or counterparties that deviates from this Rule and its purpose of maintaining and promoting public confidence in the integrity of the Domestic Debt Market. Subject to Applicable Law, the surveillance provisions of this Rule require reporting to the Corporation or appropriate authorities of the failure, or suspected failure, of Dealer Members, their affiliates, customers and counterparties to comply with this Rule.

Dealer Members generally are responsible for the conduct of their partners, directors, officers, registrants and other employees and compliance by such persons with the Rules of the Corporation pursuant to Rule 29.1. In addition, partners, directors, officers, registrants and other employees of Dealer Members and their related companies are expected to comply with the Rules of the Corporation and other regulatory requirements, and this Rule is to be construed as being applicable to related companies and such persons whenever reference is made to a Dealer Member.

Implementation and Compliance Expectations

Rule 2800 sets out specific requirements for dealing with customers and counterparties, including that customer dealings be carried out on a confidential basis, and standards related to market conduct. As with all Rules, the Corporation expects member firms that are involved in wholesale domestic debt markets to have in place written policies and procedures relating to their dealings with customers and trading[3]. Such policies and procedures must address both Rule 2800 and all other Corporation and CSA regulations related to the Dealer Member's whole domestic debt market activities. These policies and procedures must be readily available to relevant employees, who must be properly trained and qualified. Internal controls and operating systems must be in place to support compliance.

The Corporation will audit Dealer Member's sales and trading activities in the Domestic Debt Markets to ensure compliance with this Rule.

The Rule also provides for 'on demand' reporting to the Corporation of large securities positions held by dealers or traded with customers, if market circumstances warrant the need for such information.

---

[3] See also IDA Rule 29.27

The terms of the Rule are binding on Dealer Members and all related companies of Dealer Members and failure to comply with the Rule may subject a Dealer Member, a related company or their personnel to sanctions pursuant to the enforcement and disciplinary Rules of the Corporation. The disciplinary Rules of the Corporation provide for a wide range of sanctions, including fines of up to the greater of $5,000,000 per offence for Dealer Members ($1,000,000 per offence for Approved Persons) or triple the amount of the benefit from the breach, reprimands, suspension or termination of approval or expulsion. Notice of such sanctions is given to the public and government and other regulatory authorities in accordance with the Rules. In addition, other government or regulatory authorities such as the Bank of Canada, Department of Finance (Canada) or provincial securities regulatory authorities may, in their discretion, impose formal or informal sanctions including, in the case of Government of Canada securities, the suspension or removal by the Bank of Canada of eligible bidder status for auctions of such securities.

The Rule, together with applicable securities legislation, the auction rules and Terms of Participation for Primary Dealers and Government Securities Distributors, will ensure proper conduct of market participants at auctions of Government of Canada securities, in other primary markets and in secondary markets, and will result in the close coordination between federal authorities, the CSA, Corporation member firms and the Corporation in the exchange of detailed market information and the enforcement of proper market conduct.

RULE 2800

TRADING IN WHOLESALE DOMESTIC DEBT MARKETS

TABLE OF CONTENTS

1. Definitions

The following terms used in this Rule shall have the meanings indicated:

"Applicable Laws" means the common or civil law or any statute or regulation of any jurisdiction in which Dealer Members and their related companies trade in the Domestic Debt Market, or any rule, policy, regulation, directive, order or other requirement of any regulatory authority, exchange or self-regulatory organization applicable to trading in, or having jurisdiction over, the Domestic Debt Market and/or Dealer Members or their related companies.

"Domestic Debt Market" means any Canadian wholesale debt market in which Dealer Members participate as dealers on their own account as principal, as agent for customers, as primary distributors or jobbers as approved by the Bank of Canada or in any other capacity and in respect of any debt or fixed income securities issued by any government in Canada or any Canadian institution, corporation or other entity or any derivative instruments thereon, and includes, without limitation, repo, security lending and other specialty or related debt markets.

"Rules" means the Rules, Rulings and Forms of the Investment Industry Regulatory Organization of Canada, from time to time in effect.

2. Dealer Member Standards and Procedures

2.1 Policies and Procedures

Dealer Members shall have written policies and procedures relating to trading in the Domestic Debt Market and the matters identified in this Rule. Such policies and procedures shall be approved by the board of directors of the Dealer Member or an appropriate level of senior management and by the Corporation. The policies and procedures must be established and implemented by senior management and must be periodically reviewed to ensure that they are appropriate to the size, nature and complexity of the Dealer Member's business and remain appropriate as such business and market circumstances change.

2.2 Responsibility

Dealer Members shall ensure that all personnel engaged in Members' trading activities in the Domestic Debt Market are properly qualified and trained, are aware of all Applicable Laws, this Rule and internal policies and procedures relating to Domestic Debt Market Trading and are supervised by appropriate levels of management.

2.3 Controls and Compliance

Dealer Members shall maintain and enforce internal control and compliance procedures as part of the policies and procedures required in paragraph 2.1 above to ensure that trading in Domestic Debt Markets by the Dealer Member is in accordance with Applicable Laws and this Rule.

2.4 Confidentiality

Dealer Members shall ensure that dealings in the Domestic Debt Market with customers and counterparties is on a confidential basis. Except with the express permission of the party concerned or as required by Applicable Law or Rules (including requests for information or reporting by the Corporation or by the Bank of Canada), Dealer Members shall not disclose or discuss, or request that others disclose or discuss, the participation of any customer or counterparty in the Domestic Debt Market or the terms of any trading or anticipated trading by such customer or counterparty. In addition, Dealer Members shall ensure that their own trading activities are kept confidential including information with respect to customers and trading and planning strategies. The policies and procedures

adopted to ensure confidentiality should restrict access to information to the personnel that require it to properly perform their job functions, confine trading to "restricted access" office areas by designated personnel and encourage the use of secure forms of communications and technology (e.g. careful use of cell or speaker phones, secure systems access and close supervision).

2.5 Resources and Systems

Dealer Members must devote adequate human, financial and operational resources to their trading activities in the Domestic Debt Market. Further, Dealer Members must implement operation and technological safeguards to ensure that their trading activities in the Domestic Debt Markets can be fully supported. This requirement contemplates not only that the Dealer Member have sufficient capital, liquidity support and personnel, but also that it have comprehensive operational systems appropriate for Domestic Debt Market trading such as all aspects of risk management (market, credit, legal, etc.), transaction valuation, technology and financial reporting.

3. Dealings with Customers and Counterparties

3.1 Know-Your-Client and Suitability

Dealer Members must learn the essential facts about every customer, order and account accepted and to ensure the suitability of investment recommendations made to a customer. This applies to Dealer Members dealing with all customers that trade in the Domestic Debt Market. Rule 2700 establishes minimum standards of supervision necessary to ensure compliance with Rule 1300.1 in dealings with institutional clients and will be applicable to dealings with customers in the Domestic Debt Market.

3.2 Conflicts of Interest

Good business conduct as well as provisions of the other Rules of the Corporation and Applicable Law require that Dealer Members avoid conflicts of interest in their dealings with customers, counterparties and the public. Such conflicts can arise in many different circumstances but one of the underlying principles is that a fair, efficient and liquid Domestic Debt Market relies in part on open and unbiased dealings by Dealer Members, and fulfillment by Dealer Members of their duties to customers before their own interests or those of their personnel. The policies and procedures of Dealer Members should clearly describe the standards of conduct for Dealer Members and personnel. Examples of some of the matters to be included in the policies and procedures are restrictions and controls for trading in the accounts of Members' personnel, prohibition of the use of inside information and practices such as front running, fair client priority and allocation standards and prompt and accurate disclosure to customers and counterparties where any apparent but unavoidable conflict of interest arises.

4. Market Conduct

4.1 Duty to Deal Fairly

Dealer Members must observe high standards of ethics and conduct in the transaction of their business and prohibit any business conduct or practice which is unbecoming or detrimental to the public interest. Dealer Members must act fairly, honestly and in good faith when marketing, entering into, executing and administering trades in the Domestic Debt Market.

4.2 Criminal and Regulatory Offences

Dealer Members shall ensure that their trading in the Domestic Debt Market does not contravene any Applicable Law including, without limitation, money laundering, criminal or provincial securities legislation or the directions or requirements of the Bank of Canada or the Department of Finance (Canada) whether or not such directives or requirements are binding or have the force of law.

4.3 Prohibited Practices

Without limiting the generality of the foregoing, no Dealer Member or partner, officer, director, employee or agent of a Dealer Member shall:

(a) engage in any trading practices in the Domestic Debt Market that are fraudulent, deceptive or manipulative; such as

  (1) executing trades which are primarily intended to artificially increase trading volumes;

  (2) executing trades which are primarily intended to artificially increase or decrease trading prices;

  (3) spreading, or acquiescing or assisting in the spreading, of any rumours or information regarding issuers or the Domestic Debt Market that the Dealer Member or partner, director, officer, employee or agent of the Dealer Member knows or believes, or reasonably ought to know or believe, to be false or misleading;

  (4) disseminating any information that falsely states or implies governmental approval of any institution or trading; or

  (5) conspiring or colluding with another market participant to manipulate or unfairly deal in the Domestic Debt Market

(b) engage in any trading which takes unfair advantage of customers, counterparties or material non-public information, such as:

  (1) acting on specific knowledge of a new issue or client order in such a way as to unfairly profit from the expected resultant market movement and/or distort market levels;

  (2) executing proprietary trades ahead of client orders on the same side of the market without first disclosing to the client the intention to do so and obtaining the client's approval;

  (3) using proprietary information, the release of which could reasonably be expected to affect market prices, to profit unfairly;

  (4) using material, non public information which may reasonably be expected to affect prices in the Domestic Debt Market, for gain; or

  (5) abusing market procedures or conventions to obtain an unfair advantage over, or to unfairly prejudice, its counterparties or customers;

  (6) consummating a trade where the price is clearly outside the context of the prevailing market and has been proposed or agreed as a result of manifest error.

(c) engage in any trading in derivatives on Domestic Debt Market instruments in contravention of the above prohibitions;

(d) accept any order from or effect any trade with another Domestic Debt Market participant if the Dealer Member knows or has reasonable grounds to believe that the other participant is, by giving the order or conducting the trade, contravening this Rule 2800 or any Applicable Laws;

(e) accept or permit any associate to accept, directly or indirectly, any material remuneration, benefit or other consideration from any person other than the Dealer Member or its affiliates or its related companies, in respect of the activities carried out by such partner, officer, director, employee or agent on behalf of the Dealer Member or its affiliates or its related companies in connection with the sale or placement of securities on behalf of any of them;

(f) give, offer or agree to give or offer, directly or indirectly, to any partner, director, officer, employee, shareholder or agent of a customer, or any associate of such persons, a material advantage, benefit or other consideration in relation to any business of the customer with the Dealer Member, unless the prior written consent of the customer has first been obtained.

4.4 Market Conventions and Clear Communication

Dealer Members shall use clear and unambiguous language in course of their trading activities, particularly when negotiating trades on the Domestic Debt Market. Each kind of trading in the Domestic Debt market has its own unique terminology, definitions and calculations and a Dealer Member shall, prior to engaging in any trading, familiarize itself with the terminology and conventions relevant to that type of trading.

5. Enforcement

5.1 Corporation Procedures to Apply

Compliance by Dealer Members with the terms of this Rule will be enforced in accordance with the general compliance, investigative and disciplinary Rules of the Corporation.

5.2 Surveillance

Careful surveillance of the Domestic Debt Market and the trading activities of market participants is required to ensure that the objectives of this Rule are achieved. Dealer Members and their related companies are responsible for monitoring their trading and the conduct of their employees and agents. Dealer Members have an obligation to report promptly to the Corporation or any other authority having jurisdiction, including the Bank of Canada, breaches of the Rule or suspicious or irregular market conduct. Dealer Members should also encourage their customers or counter-parties who raise concerns about any Domestic Debt Market activity or participants to report such concerns to the relevant authorities.

5.3 Net Position Reports

As part of the surveillance of Domestic Debt markets, the Corporation may require a Dealer Member and its related companies to file the Corporation Net Position Report. Net Position Reports may be requested by either the Bank of Canada (for Government of Canada securities), or by the Corporation. The request for a report, and associated requests for information required to clarify individual Dealer Member’s reports, would be undertaken as a preliminary step to identify large holdings of securities that could have allowed a participant to have undue influence or control over the Government of Canada, provincial, municipal or corporate debt markets.

RULE 2800B

RETAIL DEBT MARKET TRADING AND SUPERVISION

Purpose

Rule 2800B describes the standards for trading and supervision by Corporation Dealer Members of retail domestic debt market activity.

Rule 2800B is supplementary to and explanatory of the Rules of the Corporation. It does not replace or restrict the application of the Rules to the retail domestic debt market.

1. Definitions

"**Retail Debt Market Trading**" means trading conducted by Dealer Members, whether as principal or agent, to fill orders received from a retail customer for any debt or fixed income securities or any derivative instruments thereon including, without limitation, repo, security lending and other specialty or related debt markets.

"**Retail Customer**" means a customer of the Dealer Member that is not an institutional client as defined in Rule 2700.

2. Dealer Member Policies and Procedures

Dealer Members shall have written policies and procedures relating to trading in the Retail Debt Market and the matters identified in this Rule. Such policies and procedures shall be approved by the board of directors of the Dealer Member or an appropriate level of senior management and by the Corporation. The policies and procedures must be established and implemented by senior management and must be periodically reviewed to ensure that they are appropriate to the size, nature and complexity of the Dealer Member's business and remain appropriate as such business and market circumstances change.

3. Commissions and Mark-Ups

Dealer Members must have written procedures or guidelines issued to its registered representatives regarding mark-ups or commissions on debt or fixed income securities sold to the Dealer Member's retail customers. The Dealer Member must have reasonable monitoring procedures to detect and monitor mark-ups or commissions which exceed those specified in the written procedures or guidelines and ensure that such mark-up or commission is justified in the reasonable judgment of the Dealer Member.

4. Market Conduct

4.1 Duty to Deal Fairly

Dealer Members must observe high standards of ethics and conduct in the transaction of their business and prohibit any business conduct or practice which is unbecoming or detrimental to the public interest. Dealer Members shall act fairly, honestly and in good faith when marketing, entering into, executing and administering trades in the Retail Debt Market.

4.2 Prohibited Practices

Without limiting the generality of the foregoing, no Dealer Member or partner, officer, director, employee or agent of a Dealer Member shall:

(a) engage in any trading practices in the Retail Debt Market that are fraudulent, deceptive or manipulative; such as

(1) executing trades which are primarily intended to artificially increase trading volumes;

(2) executing trades which are primarily intended to artificially increase or decrease trading prices;

(3) spreading, or acquiescing or assisting in the spreading, of any rumours or information regarding issuers that the Dealer Member or partner, director, officer, employee or agent of the Dealer Member knows or believes, or reasonably ought to know or believe, to be false or misleading;

(4) disseminating any information that falsely states or implies governmental approval of any institution or trading; or

(5) conspiring or colluding with another registrant to manipulate or unfairly deal in the Retail Debt Market.

(b) engage in any trading which takes unfair advantage of customers, counterparties or material non-public information, such as:

(1) acting on specific knowledge of a new issue or client order in such a way as to unfairly profit from the expected resultant market movement and/or distort market levels;

(2) executing proprietary trades ahead of client orders on the same side of the market without first disclosing to the client the intention to do so and obtaining the client's approval;

(3) using proprietary information, the release of which could reasonably be expected to affect market prices, to profit unfairly;

(4) using material, non public information which may reasonably be expected to affect prices in the Domestic Debt Market, for gain; or

(5) abusing market procedures or conventions to obtain an unfair advantage over, or to unfairly prejudice, its counterparties or customers;

(6) consummating a trade where the price is clearly outside the context of the prevailing market and has been proposed or agreed as a result of manifest error.

(c) engage in any trading in derivatives on debt market instruments in contravention of the above prohibitions.

(d) accept any order from or effect any trade for a retail customer if the Dealer Member knows or has reasonable grounds to believe that the customer is, by giving the order or conducting the trade, contravening this Rule 2800B or any statute or regulation, or any rule, policy, directive, order or other requirement of any regulatory authority, exchange or self-regulatory organization governing the Dealer Member or the market in which the trade will be effected.

RULE 2900

PROFICIENCY AND EDUCATION:

PART I – PROFICIENCY REQUIREMENTS

INTRODUCTION

This Part I outlines the proficiency requirements for registered persons. These proficiency requirements consist of both entrance thresholds and on-going requirements.

DEFINITIONS

For the purpose of this Part I:

"Recognized Foreign Self-regulatory Organization" means a foreign self-regulatory organization which offers a reciprocal treatment to Canadian applicants and which has been approved as such by Corporation.

All courses and examinations, unless otherwise specified, are administered by the Canadian Securities Institute.

A. Proficiency Requirements for Registered Persons

1. Branch Managers and Sales Managers

(a) The proficiency requirements for a sales manager, branch manager, assistant or co-branch manager under Rule 4.9 are:

(i) Two years of experience as a securities dealer or working in the office of a broker or dealer in securities in various positions or such equivalent experience as may be acceptable to the applicable District Council;

(ii) Approval as a registered representative; and

(iii) Successful completion of

A. The Branch Managers Course,

B. The Options Supervisors Course if the Dealer Member trades options with the public and

C. The Effective Management Seminar within 18 months of approval.

(b) The proficiency requirements for a branch manager (non-retail), assistant branch manager (non-retail) or co-branch manager (non-retail) under Rule 4.9 are:

(i) Successful completion of:

A. The Branch Managers Course, or

B. the Partners, Directors and Senior Officers Qualifying Examination, and

(ii) The proficiency requirements necessary to conduct or supervise any trading activity carried on by Approved Persons in the branch.

2. Partners, Directors and Officers

The proficiency requirements for a partner, director or officer under Rule 7.3 or 7.4 are:

(a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination;

(b) If also approved in a trading category, retail or non-retail, successful completion of the applicable proficiency requirements for Investment Representative, Registered Representative, or Registered Representative – Options/Futures; and

(c) If supervising a branch or sub-branch of a Dealer Member that is approved to trade options with the public, successful completion of the Options Supervisors Course.

2A. Chief Financial Officers

The proficiency requirements for a chief financial officer pursuant to Rule 7.5 are:

(a) A financial accounting designation, university degree or diploma, or equivalent work experience; and

(b) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination, and

(c) Successful completion of the Chief Financial Officers Examination.

(d) Notwithstanding subsection (c) above, any person approved as Chief Financial Officer with a Dealer Member as of January 5, 2004, shall have until July 5, 2005 to successfully complete the Chief Financial Officer Examination in order to maintain approval as Chief Financial Officer. A person approved as acting Chief Financial Officer pursuant to Rule 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officer Examination.

(e) Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Financial Officers Examination within 10 days of the dates specified for successful completion in paragraph (d) above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board of Directors may from time to time prescribe.

2B. Chief Compliance Officers

The proficiency requirements for a chief compliance officer pursuant to Rule 38.6 are:

(a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination;

And

(b) Successful completion of the Chief Compliance Officers Qualifying Examination.

(c) Notwithstanding subsection (b) above, any person approved as Chief Compliance Officer with a Dealer Member as of October 1, 2007 shall have until April 1, 2009 to successfully complete the Chief Compliance Officers Examination in order to maintain approval as Chief Compliance Officer.

(d) A person approved as acting Chief Compliance Officer pursuant to Rule 38.7 shall have 90 days from the date of termination of the Chief Compliance Officer to successfully complete of the Chief Compliance Officers Qualifying Examination.

(e) Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Compliance Officers Qualifying Examination within 10 days of the dates specified for successful completion in paragraphs (c) or (d) above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board of Directors may from time to time prescribe.

3. Registered Representatives and Investment Representatives

The proficiency requirements for a registered representative or investment representative under Rule 18.3 are:

(a) Successful completion of

(i) The Canadian Securities Course prior to commencing the training programme described in subsection (iii),

(ii) The Conduct and Practices Handbook Course, and

(iii) Either

A. For a registered representative, except for a registered representative (non-retail), a three-month training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis, or

B. For an investment representative, a 30-day training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis; or

(b) Successful completion of the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization within three years prior to application with the Corporation; and

(c) For a registered representative other than a registered representative (mutual funds) or a registered representative (non-retail), successful completion of the Wealth Management Essentials course within 30 months of his or her approval as a registered representative.

4. Registered Representatives (Mutual Funds) and Investment Representatives (Mutual Funds)

The proficiency requirement for a registered representative (mutual funds) or investment representative (mutual funds) under Rule 18.7 is successful completion of:

(a) The Canadian Securities Course;

(b) The Canadian Investment Funds Course administered by IFIC,

(c) The Investment Funds in Canada Course administered by the Institute of Canadian Bankers, or

(d) The Principles of Mutual Funds Investment Course administered by the Canadian Trust Institute.

5. Traders

5.1 The proficiency requirement for a Trader under Rule 500.2 is:

(a) for a Trader on the Toronto Stock Exchange or TSX Venture Exchange, the Trader Training Course, unless an exemption is granted by either exchange or its market regulation services provider.

(b) for a Trader on the Bourse de Montreal, the proficiency requirements determined to be acceptable by Bourse de Montreal.

6. Portfolio Managers

6.1 The proficiency requirements for a portfolio manager under Rule 1300.9 are:

(a) Successful completion of

(i) The Portfolio Management Techniques Course and

A. The Professional Financial Planning Course prior to August 31, 2002, or

B. The Investment Management Techniques Course, or

(ii) The three levels of the Chartered Financial Analyst programme administered by the CFA Institute;

(b) Experience

(i) Of at least three years as an associate portfolio manager,

(ii) Of at least three years as a registered representative and two years of experience as an associate portfolio manager,

(iii) Of at least three years as a research analyst for a Dealer Member firm of a self-regulatory organization and two years as an associate portfolio manager, or

(iv) Of at least five years, managing a portfolio of $5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution; and

(c) For a period of not less than one year ending within the three years prior to the date of application, having had assets with an aggregate value of not less than $5,000,000 under his or her direct administration on a discretionary basis.

6.2 The proficiency requirements for a futures contracts portfolio manager under Rule 1300.12 are:

(a) Successful completion of

(i) The Canadian Commodity Supervisors Exam, the Futures Licensing Course (FLC) and the courses necessary to attain the Derivatives Market Specialist Designation; or

(ii) The Chartered Financial Analyst program administered by the CFA Institute; and

(b) Experience ending no earlier than three years prior to the date of application of:

(i) of at least 5 years as an Approved Person in one of the categories of futures contracts approval under Rule 1800.3, or

(ii) of at least 3 years as an Approved Person in one of the categories of futures contracts approval under Rule 1800.3 and two years as an associate futures contracts portfolio manager

during which periods the applicant shall have been actively engaged in advising on trades in or managing futures contracts accounts.

6.3 The proficiency requirements for an associate portfolio manager under Rule1300.10 are:

(a) Successful completion of

(i) The Portfolio Management Techniques Course and

A. The Professional Financial Planning Course prior to August 31, 2002, or

B. The Investment Management Techniques Course, or

(ii) The three levels of the Chartered Financial Analyst programme administered by the CFA Institute; and

(b) Experience

(i) Of at least two years as a registered and practising registered representative, or

(ii) Of at least two years as a research analyst for a member firm of a self-regulatory organization.

6.4 The proficiency requirements for an associate futures contracts portfolio manager under Rule 1300.13 are:

(a) Successful completion of

(i) The Futures Licensing Course and the courses necessary to attain the Derivatives Market Specialist Designation; or

(ii) The Chartered Financial Analyst program administered by the CFA Institute; and

(b) Experience ending no earlier than three years prior to the date of application of at least 3 years as an Approved Person in one of the categories of futures contracts approval under Rule 1800.3, during which period the applicant shall have been actively engaged in advising on trades in futures contracts.

7. Commodity Futures Contracts and Options

7.1 The proficiency requirements for a person who deals with customers with respect to futures contracts or futures contract options under Rule 1800.3 are successful completion of:

(a) The Derivatives Fundamentals Course and the Futures Licensing Course (the "FLC"), or

(b) The FLC and the National Commodity Futures Examination (the "NCFE") administered by the Financial Industry Regulatory Authority; and

7.2 The proficiency requirements for a futures contract principal or alternate, futures contract options principal or alternate or branch manager authorized to supervise accounts trading in futures contracts or futures contract options are:

(a) Successful completion of the requirements of section 7.1, and

(b) Successful completion of the Canadian Commodity Supervisors Examination.

8. Options

The proficiency requirement for options under Rule 1900.3 and Rule 18.9 are successful completion of:

(a) The Derivatives Fundamentals Course and the Options Licensing Course, and

(b) The Options Supervisors Course, in the case of a registered options principal or alternate.

B. General Exemption

(a) Notwithstanding this Part I, the applicable District Council, pursuant to Rule 20.24, may exempt any person or class of persons from the proficiency requirements on such terms and conditions, if any, as the applicable District Council may see fit.

(b) The Board of Directors may prescribe a fee to be paid for any exemption application under paragraph (a).

RULE 2900

PROFICIENCY AND EDUCATION:

PART II – COURSE AND EXAMINATION EXEMPTIONS

INTRODUCTION

This Part II outlines the exemptions that exist from the Corporation's course and examination requirements for persons seeking to be approved in certain categories of registration. This Part II exempts applicants from the requirement to rewrite courses or examinations that they have successfully completed if they are re-entering the industry, re-registering in a category of registration or seeking initial registration within certain time periods. This Part II also provides exemptions to applicants from the requirements to initially write a course or examination if the applicant satisfies one of the specifically enumerated exemptions based on grandfathering provisions or the successful completion of other courses and examinations. In addition, this Part II sets out the basis upon which the applicable District Council may grant a discretionary exemption.

DEFINITIONS

For the purposes of this Part II:

"Approved Person" means an applicant that is approved by and registered with a self-regulatory organization in a category of registration;

"Recognized Foreign Self-regulatory Organization" means a foreign self-regulatory organization which offers a reciprocal treatment to Canadian applicants and which has been approved as such by Corporation.

All courses and examinations, unless otherwise specified, are administered by the Canadian Securities Institute.

A. Exemptions from Rewriting

1. The Canadian Securities Course

An applicant shall be exempt from rewriting the Canadian Securities Course if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing;

(c) Is currently seeking approval within three years of successfully completing the Canadian Securities Course or within two years of successfully completing the Professional Financial Planning Course, Wealth Management Techniques Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute;

(d) Is seeking re-approval within three years of successfully completing the Professional Financial Planning Course, Wealth Management Techniques Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute; or

(e) Is seeking approval or re-approval within three years of successfully completing the New Entrants Course.

2. The Conduct and Practices Handbook Course

An applicant shall be exempt from rewriting the Conduct and Practices Handbook Course if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Conduct and Practices Handbook Course.

3. The Partners, Directors and Senior Officers Qualifying Examination

An applicant shall be exempt from rewriting the Partners, Directors and Senior Officers Qualifying Examination if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Partners, Directors and Senior Officers Qualifying Examination.

3A. Chief Financial Officers Examination

An applicant shall be exempt from rewriting the Chief Financial Officers Examination if the applicant:

(a) is currently approved in any category other than chief financial officer and, since completing the chief financial officers examination, has been working closely with and providing assistance to the chief financial officer;

(b) was approved as chief financial officer with a member and is currently seeking re-approval as such within three years of the end of the last approval date;

(c) is currently seeking approval as chief financial officer within two years of successfully completing the chief financial officers examination.

4. The Derivatives Fundamentals Course

An applicant shall be exempt from rewriting the Derivatives Fundamentals Course if the applicant

(a) Was an approved person currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Derivatives Fundamentals Course, Futures Licensing Course, Options Licensing course, or Canadian Commodity Supervisors Examination;

5. The Options Licensing Course

An applicant shall be exempt from rewriting the Options Licensing Course if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Options Licensing Course.

6. The Options Supervisors Course

An applicant shall be exempt from rewriting the Options Supervisors Course if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Options Supervisors Course.

7. The Futures Licensing Course

An applicant shall be exempt from rewriting the Futures Licensing Course if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Futures Licensing Course or Canadian Commodity Supervisors Examination; or

(d) Is seeking re-approval within three years of successfully completing the Canadian Commodity Supervisors Examination.

8. The Canadian Commodity Supervisors Examination

An applicant shall be exempt from rewriting the Canadian Commodity Supervisors Examination if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Canadian Commodity Supervisors Examination.

9. The Branch Managers Course

An applicant shall be exempt from rewriting the Branch Managers Course if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Branch Managers Course.

10. The wealth management essentials course

An applicant shall be exempt from rewriting the Wealth Management Essentials Course if the applicant

(a) Was registered or approved in any trading capacity, including registration or approval restricted to mutual funds but excluding approval as a Trader (Bourse de Montreal), Trader (TSX), or Trade (TSX VN) and is currently seeking to re-enter the industry within three years of the registration or approval lapsing;

(b) Is currently registered or approved in any trading capacity, including registration or approval restricted to mutual funds but excluding approval as a Trader (Bourse de Montreal), Trader (TSX), or Trader (TSX VN) and is seeking registration in another category;

(c) Is currently seeking approval within two years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course, or the Wealth Management Techniques Course; or

(d) Is seeking re-approval within three years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course or the Wealth Management Techniques Course.

11. Repealed.

12. The Canadian Investment Funds Course

An applicant shall be exempt from rewriting the Canadian Investment Funds Course administered by IFIC if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Canadian Investment Funds Course.

13. The Investment Funds in Canada Course

An applicant shall be exempt from rewriting the Investment Funds in Canada Course administered by the Institute of Canadian Bankers if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Investment Funds in Canada Course.

14. The Principles of Mutual Funds Investment Course

An applicant shall be exempt from rewriting the Principles of Mutual Funds Investment Course administered by the Canadian Trust Institute if the applicant

(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing;

(b) an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing; or

(c) Is currently seeking approval within two years of successfully completing the Principles of Mutual Funds Investment Course.

B. Exemptions from Writing

1. The Canadian Securities Course

An applicant shall be exempt from writing the Canadian Securities Course if the applicant

(a) Has been approved continuously as a registered representative since November, 1962;

(b) Has successfully completed the previously existing Corporation Course I and II, or the previously existing Corporation Course I and has acquired five consecutive years of industry experience and

(i) Is currently approved as an investment representative or registered representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing;

(c) Has successfully completed the Canadian Investment Management program, Parts I and II and

(i) Is currently approved as an investment representative or a registered representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of the approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or

(d) Has previously been registered or licensed with a recognized foreign regulatory authority or self-regulatory organization and has successfully completed the New Entrants Course within two years of the application.

2. The Conduct and Practices Handbook Course

An applicant shall be exempt from writing the Conduct and Practices Handbook Course if the applicant

(a) Has been approved continuously as a registered representative since December, 1971; or

(b) Has successfully completed the Partners, Directors and Senior Officers Qualifying Examination and

(i) Is currently approved as a partner, director, senior officer, investment representative or registered representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or

(iv) Is currently seeking approval within two years of successfully completing the Partners, Directors and Senior Officers Qualifying Examination.

3. The Partners, Directors and Senior Officers Qualifying Examination

An applicant shall be exempt from writing the Partners, Directors and Senior Officers Qualifying Examination if the applicant has been approved continuously as a partner, director or senior officer since March 1973.

4. The Derivatives Fundamentals Course

An applicant shall be exempt from writing the Derivatives Fundamentals Course if the applicant has successfully completed the Canadian Options Course, the National Commodity Futures Examination, the Canadian Futures Examinations, Futures Licensing Course, or Canadian Commodity Supervisors Examination, and

(a) Is currently approved as a registered representative options,

(b) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(c) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or

(d) Is currently seeking approval within two years of successfully completing the Options Course Licensing Course, the Options Supervisors Course, the Futures Licensing Course, or the Canadian Commodity Supervisors Examination.

5. The Options Licensing Course

An applicant shall be exempt from writing the Options Licensing Course if the applicant has successfully completed the Canadian Options Course and

(a) Is currently approved as a registered representative options,

(b) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

(c) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.

6. The Options Supervisors Course

An applicant shall be exempt from writing the Options Supervisors Course if the applicant

(a) Has been approved continuously as a registered options principal since January, 1978; or

(b) Has successfully completed the Registered Options Principals Qualifying Examination and

(i) Is currently approved as a registered options principal,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.

7. The Futures Licensing Course

An applicant shall be exempt from writing the Futures Licensing Course if the applicant has successfully completed the National Commodity Futures Examination and the Canadian Commodity Futures Examination, or the Canadian Futures Examination, Parts I and II, or the National Commodity Futures Examination and the Canadian Futures Examination, Part II, or the Canadian Commodity Futures Examination and the Canadian Futures Examination, Part I and

(a) Is currently approved as a registered futures contract representative options,

(b) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.

8. The Canadian Commodity Supervisors Examination

An applicant shall be exempt from writing the Canadian Commodity Supervisors Examination if the applicant has been approved continuously as a commodity supervisor since January, 1980.

9. The Branch Managers Course

An applicant shall be exempt from writing the Branch Managers Course if the applicant

(a) Has been approved continuously as a branch manager since August 1, 1987;

(b) Has successfully completed the Canadian Branch Managers Qualifying Examination and

(i) Is currently approved as a branch manager,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.

(c) Has been approved continuously as a sales manager since January 24, 1994, unless the sales manager is currently seeking approval as a branch manager; or

(d) Has successfully completed both

(i) The Partners, Directors and Officers Qualifying Examination prior to February 1, 1990 and

A. Is currently approved as a partner, director or officer,

B. Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

C. Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, and

(ii) The Registered Options Principals Qualifying Examination and

A. Is currently approved as a designated registered options principal, an alternate registered options principal or a branch manager,

B. Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing, or

C. Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing.

10. The WEALTH MANAGEMENT ESSENTIALS COURSE

An applicant shall be exempt from writing the Wealth Management Essentials Course if the applicant

(a) Was registered for a minimum of two years with a Canadian securities regulatory authority or recognized foreign self-regulatory organization prior to the coming into force of this Rule 2900, Part II, and has not been out of the industry for a period of greater than three years;

(b) Has successfully completed Part 1 or 2 of the Canadian Investment Management program, and

(i) Is currently approved as an investment representative or a registered representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,

(iv) Is currently seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or

(v) Is seeking re-approval within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course.

(c) Has successfully completed the Investment Management Techniques Course or the Professional Financial Planning Course prior to July 4, 2008, having been enrolled prior to July 4, 2006, and

(i) Is currently approved as an investment representative or a registered representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,

(iv) Is currently seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or

(v) Is seeking re-approval within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course.

11. Repealed.

12. The Canadian Investment Funds Course

An applicant shall be exempt from writing the Canadian Investment Funds Course administered by the Investment Funds Institute of Canada if the applicant has successfully completed the Canadian Securities Course and

(a) Is currently approved as a registered mutual fund representative,

(b) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(c) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or

(d) Is currently seeking approval within three years of successfully completing the Canadian Securities Course.

13. The Investment Funds in Canada Course

An applicant shall be exempt from writing the Investment Funds in Canada Course administered by the Institute of Canadian Bankers if the applicant

(a) Has successfully completed the Canadian Securities Course and

(i) Is currently approved as a registered mutual fund representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or

(iv) Is currently seeking approval within three years of successfully completing the Canadian Securities Course.

14. The Principles of Mutual Funds Investment Course

An applicant shall be exempt from writing the Principles of Mutual Funds Investment Course administered by the Canadian Trust Institute if the applicant

(a) has successfully completed the Canadian Securities Course and

(i) Is currently approved as a registered mutual fund representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval lapsing, or

(iv) Is currently seeking approval within three years of successfully completing the Canadian Securities Course.

15. 90-DAY AND 30-DAY TRAINING PROGRAMS

An applicant shall be exempt from completing the 90-day or 30-day training program required under Rule 2900 Part 1, section 3(a)(iii) A and B if, within three years prior to application, the applicant was registered with a member, securities dealer or investment dealer; or by a recognized foreign regulatory authority or self regulatory organization; or as an investment advisor by a Canadian securities regulatory authority.

C. Discretionary Exemptions

(a) The applicable District Council, pursuant to Rule 20.24, may grant an exemption from the requirement to rewrite or write any required course or examination, in whole or in

part, subject to such conditions or restrictions as may be imposed in the exemption, if the applicant demonstrates adequate experience and/or successful completion of industry courses or examinations that the applicable District Council, in its opinion, determines is an acceptable alternative to the required proficiency.

(b) The Board of Directors may prescribe a fee to be paid for any exemption application under this Rule 2900 Part II.

RULE 2900

PROFICIENCY AND EDUCATION:

PART III – THE CONTINUING EDUCATION PROGRAM

INTRODUCTION

This Part III establishes a Continuing Education Program (the Program) for Participants for the duration of their career in the securities industry. The Program operates on three-year cycles, the first commencing in January 1, 2000. The start-to-end date of each cycle is the same for all participants.

A. DEFINITIONS

For the purposes of this Part III,

"Course" – means a single integrated course, or a series of pertinent courses, seminars, presentations or programs that in total meet the minimum time and content requirements of the course guidelines which form part of this Rule 2900, Part III.

"Participants" – means certain "approved persons" employed by Dealer Members of the Investment Industry Regulatory Organization of Canada (the Corporation), and approved by the Corporation in the registration categories listed in Schedule 1 of this Rule 2900, Part III (Schedule 1).

B. PARTICIPATION IN THE PROGRAM

Unless exempted under Rule 2900, Part III, Participants must complete continuing education courses based on their categories of approval, as specified in Schedule 1.

In general, individuals who are registered to do retail business and give advice must complete a 12-hour Compliance course and a 30-hour Professional Development course during each three-year cycle. Those who are not registered to do retail business (who deal with institutions only) and those not registered to give advice (such as investment representatives) must complete a 12-hour compliance course only, each cycle.

C. EXEMPTION FROM THE WHOLE OR PART OF THE PROGRAM

1. Partners, Directors and Officers approved in non-trading and non-supervisory categories of registration are exempt from the Program.

2. Participants approved as registered representatives, branch managers, sales managers, and futures principals, who have been continuously approved in a trading capacity for more than 10 years as of January 1, 2000 by a recognized Self Regulatory Organization (the Corporation, Toronto Stock Exchange, Montreal Exchange, Alberta Stock Exchange or Vancouver Stock Exchange), are exempt from the requirement to complete a professional development course. However, such persons shall complete a compliance course in each cycle throughout their career.

D. ENTRY OF RECENTLY APPROVED PERSONS

Recently approved persons shall not participate in the Program during the first three years of registration but shall do so, depending on the year of registration, as follows:

1. If the three years since registration ends in year one of a cycle, then the approved person becomes a participant in that cycle.

2. If the three years since registration ends in year two or three of a cycle, then the approved person becomes a participant in next three-year cycle of the Program.

3. For greater clarification, refer to the Chart below.

An Approved Person first approved in the year:	Starts CE in this Cycle
1997	Cycle 1: 1/Jan/2000 to 31/Dec/2002
1998	Cycle 2: 1/Jan/2003 to 31/Dec/2005
1999	Cycle 2: 1/Jan/2003 to 31/Dec/2005
2000	Cycle 2: 1/Jan/2003 to 31/Dec/2005
2001	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2002	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2003	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2004	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2005	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2006	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2007	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2008	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2009	Cycle 5: 1/Jan/2012 to 31/Dec/2014

E. RE-ENTRY OF APPROVED PERSONS

1. Individuals who were registered more than three years ago and who are returning to the industry will be required to complete their CE requirements in the cycle in which they return.

2. Individuals who are required to re-write the Canadian Securities Course (CSC) and Conduct & Practices Handbook (CPH) in order to re-qualify for registration, may apply these two courses towards the CE requirements for the cycle in which they were re-written. In this circumstance, the CSC can not be carried forward to fulfill the Professional Development requirement in the following cycle.

3. Individuals who have previously been exempted from the Professional Development requirement under Rule 2900, Part III, C.2, who become re-registered after a gap of more than three years, will no longer qualify for the exemption from the Professional Development requirement. These individuals will be required to complete the CE requirement as per their registration category. An exception will be made for individuals who were previously exempted from the Professional Development requirement, who voluntarily participate in the Corporation's CE program during the gap in registration. These individuals will not be required to re-write the CSC and CPH, and will maintain the exemption from the Professional Development requirement when they become re-registered.

F. CHANGE IN CATEGORIES WITHIN A CYCLE

1. Any change, in year one of a cycle, from a registration category that requires a compliance course only, to a category requiring both a compliance course and a professional development course, will require completion of the courses for the new category. If the change occurs in year two or three of

the cycle, the requirements are those of the previous category. The requirements for the new position will commence in the next cycle.

2. For changes from a category that requires both a compliance course and a professional development course to a category requiring a compliance course only, the requirements are those of the participant's registration category at the end of the cycle.

3. For changes from a Non-Trading officer category to a Supervisory category that requires a compliance course only, the requirements are the compliance course as per the new category. If the change occurs in year two or three of the cycle, the requirements are those of the previous category. The requirements for the new position will commence in the next cycle.

4. Any change back to a category requiring both a compliance course and a professional development course made after the change as described in subsection 1 will immediately return the participant to the requirement for completion of both the compliance and the professional development course. Should such a change occur too close to the end of the cycle to permit completion of the professional development course, the Dealer Member firm may apply for a hardship extension, pursuant to Section N.

5. An application for a change of category as described in subsection 3 in the first year of the cycle, following a change as described in subsection 2, must be accompanied by an explanation from the Dealer Member sufficient to satisfy the Corporation that the category changes are not in an effort to avoid completion of the Program's requirements.

G. VOLUNTARY PARTICIPATION IN THE PROGRAM

1. Persons who terminate their approval after January 1, 1997, may maintain their standing in the Program on a voluntary basis by completing select courses recognized by the Corporation as meeting the requirements of the Program. The voluntary participation courses must comply with the guidelines that form part of this policy.

2. Persons maintaining voluntary standing in the Program as described in subsection 1 are exempt from the examination rewrite requirements outlined in Rule 2900, Part II – Course and Examination Exemptions for the Canadian Securities Course (CSC) and the Conduct and Practices Handbook Exam (CPH). The CSC and/or CPH must have been successfully passed within the three years prior to the start of either:

   (a) the current cycle, or

   (b) the earliest cycle in which the individual began continuous participation in the Program.

3. Graduates of the CSC and the CPH who have not been approved in any capacity, may join the Program on a voluntary basis by taking courses recognized by the Corporation as meeting the requirements for the Program. The CSC and/or CPH must have been successfully passed within the three years prior to the start of either:

   (a) the current cycle, or

   (b) the earliest cycle in which the individual began continuous participation in the Program.

4. Persons joining the Program as described in subsection 3 are exempt from the examination rewrite requirements outlined in Rule 2900, Part II – Course and Examination Exemptions.

5. Voluntary participants must complete a professional development course and a compliance course in each cycle to maintain voluntary participation standing and qualify for the exemptions in subsections 2 and 4. Both a Compliance course and Professional Development course must be completed irrespective of which position the individual intends to apply for.

6. The exemptions in subsections 2 and 4 are valid until the end of the first year of the next cycle. As a result, Voluntary participation in CE will keep the CSC and CPH valid until the end of the first year of the next cycle.

7. Both the Compliance and the Professional Development courses used for Voluntary Participation must be completed within the cycle to which they are applied and cannot be carried forward from a previous cycle.

8. Individuals may still be responsible for obtaining exemptions and paying any associated fee required by securities legislation for their province or territory.

H. RECORD KEEPING REQUIREMENTS

1. Evidence of Completion may be in the form of a certificate issued by the provider, attendance sheet or bulk notice of completion

2. CE credits earned through courses or seminars at a Participant's previous firm in the current cycle, that have not been reported to the Corporation, may still be considered valid for the Participant by the Participant's current member firm, at the member firm's discretion. The current member firm may accept a statement of verification issued by a former member firm.

3. Dealer Member firms must retain CE certification records and course materials until the end of the cycle following the cycle to which the records relate

I. REPORTING REQUIREMENTS

1. Dealer Members must update the Corporation in the manner prescribed by the Corporation within ten days after the end of the month in which the Dealer Member becomes aware of the names of its Participants that have satisfied all CE course requirements for the completed Cycle.

2. No later than 10 business days following the end of a Cycle, a member must identify via the manner prescribed by the Corporation, those individuals who have not completed the Compliance course and who have been placed under supervision as per the penalties delineated in Section M.

J. THE COMPLIANCE COURSE

1. The 12-hour compliance course is a mandatory component of the Program for all participants. Participants may choose a compliance course from an external course provider or a suitable training Program offered by their sponsoring Dealer Member.

2. Dealer Members may have an external course provider develop and deliver the compliance course or may develop and deliver their own internal course.

3. Courses may be accredited for Corporation CE credits through the Corporation's official accreditation process.

4. The use of a compliance course developed by a Dealer Member is subject to the following requirements:

   (a) The course developed must comply with the guidelines that form part of this policy.

   (b) Participants completing a course offered by a Dealer Member shall have the Dealer Member sign off on their successful completion of that course. The Dealer Member shall determine its own method of evaluating Participants' knowledge and understanding of the courses completed.

K. PROFESSIONAL DEVELOPMENT COURSE

1. Participants may choose a 30-hour Professional Development course from an external course provider or a suitable training Program offered by their sponsoring Dealer Member.

2. The course chosen by a Participant, whether from an external provider or one offered by the Dealer Member, must be approved by the Dealer Member's training supervisor or other responsible person as being relevant to that Participant's role in the investment industry.

3. Courses may be accredited for Corporation CE credits through the Corporation's official accreditation process.

4. Professional development courses developed and offered by the Dealer Member or an external course provider are subject to the following requirements:

   (a) The courses must comply with the guidelines that form part of this policy.

   (b) Participants completing courses offered by their sponsoring Dealer Member shall have the Dealer Member sign off on their successful completion of that course. The Dealer Member shall determine its own method of evaluating Participants' knowledge and understanding of the courses completed.

L. CARRY-FORWARD PROVISIONS

1. No carry forwards are permitted for the compliance course requirement.

2. A maximum of one approved course completed prior to the start of the current cycle that satisfies the minimum 30-hour requirement may be carried forward into the next cycle as a professional development credit. Starting with courses taken in Cycle 2, a course of less than 30 hours may not be carried forward into the next cycle.

3. Where a recently approved person completes a course that qualifies for the professional development requirement during that approved person's first three years of registration, that course can be carried forward to apply to that approved person's first cycle.

4. The Professional Financial Planning Course (PFPC), Investment Management Techniques Course (IMT) or Wealth Management Essentials Course (WME) may not be carried forward pursuant to subsection 2 if it was used as to satisfy the requirement of Rule 2900, Part 1, A, section 3(c).

5. A Multi-level program completed over a period of more than one year, such as a university degree program or the Chartered Financial Analyst (CFA) program, may satisfy the professional development course requirement for more than one cycle provided each program level meets the guidelines. A level can be carried forward to satisfy the requirement of the next cycle only.

M. PENALTIES

The following penalties shall be imposed for the failure of a Participant to complete the course requirements within a three-year cycle:

1. At the beginning of year one of the next three-year cycle, a monthly fee in the amount of $500 shall be imposed against the Participant's sponsoring Dealer Member for a maximum of six months, or until the Participant completes the courses required, whichever occurs first.

2. If, at the end of the six-month period referred to in subsection 1, the Participant fails to complete the Program requirements, then the Participant's approval will be suspended automatically until such time as the participant successfully completes the course requirements.

3. If, at the end of the three-year cycle, the Participant fails to complete the compliance portion of the program, then a mandatory condition of close supervision, with reports to be retained at the Dealer Member firm, will be imposed on the Participant's registration until such time as course is successfully completed.

4. Any late completion fees paid in error will be refunded provided that the refund is claimed within 120 days of the first day of the month for which the fee was paid.

N. HARDSHIP EXTENSION FROM COMPLETION OF COURSE REQUIREMENTS IN A THREE-YEAR CYCLE

1. A Participant may be granted a hardship extension from the requirement to complete the course requirements within a three-year cycle due to, but not limited to, an illness if

   (a) A partner, director or officer of the participant's sponsoring Dealer Member

      (i) approves the delay of completion of the course requirements;

      (ii) advises the Corporation of the reasons for the delay and

      (iii) agrees to a new date for the completion of the course requirement; and,

   (b) The applicable District Council, or its designate, in its discretion determines that the delay is warranted.

2. Despite subsection 1, the granting of such an extension does not permit the Participant to delay the commencement of the next three-year cycle.

3. In the case of an indefinite leave of absence, a Participant unable to complete their requirements for more than one cycle may receive an exemption from the Program provided that

   (a) A partner, director or officer of the participant's sponsoring Member

      (i) approves the exemption, and

      (ii) outlines, in a letter delivered to the Corporation, the reasons for the exemption and specifying the leave is for an indefinite period; and

   (b) The applicable District Council or its designate, in its discretion, determines that the exemption is warranted.

   (c) Upon return to the industry and before engaging in any activity requiring registration

      (i) after an absence of less than three years, the Participant's CE requirements will be determined by the applicable District Council

      (ii) after an absence of more than three years, the Participant shall successfully complete the required proficiency courses as outlined in Rule 2900, Part II.

SCHEDULE 1

Continuing Education / Registration Category Chart

	Registration Category	Continuing Education Requirement
Retail	Investment Representative	Compliance Program
	Investment Futures Contract Representative Options	
	Investment Representative Options	
	Registered Representative	Compliance Program and Professional Development Program
	Registered Futures Contract Representative Options	
	Registered Representative Options	
	Registered Mutual Fund Representative	
	Portfolio Manager (and Associate)	
Non-Retail	Investment Representative	Compliance Program Only
	Investment Futures Contract Representative Options	
	Investment Representative Options	
	Registered Representative	
	Registered Futures Contract Representative Options	
	Registered Representative Options	
Supervisory Categories	Branch Manager (Retail)	Compliance Program and Professional Development Program
	Sales Manager	
	Assistant Branch Manager	
	Co-Branch Manager	
Partners, Directors & Officers (PDO)	PDO – Trading (Registered Representative, Registered Futures Contract Representative, Registered Representative Options)	Compliance Program and Professional Development Program

	PDO – Trading (Registered Representative (Non-Retail), Registered Futures Contract Representative (Non-Retail), Registered Representative Options (Non-Retail))	Compliance Program Only
	PDO – Trading (Investment Representative, Investment Futures Contract Representative, Investment Representative Options)	Compliance Program Only
	PDO – Non-Trading	No Requirement
	Branch Manager (Non-retail)	
Other	Ultimate Designated Person	Compliance Program Only
	Alternate Designated Person	
	Designated Registered Options Principal	
	Alternate Registered Options Principal	
	Designated Registered Futures Options Principal	
	Alternate Registered Futures Options Principal	
	Chief Compliance Officer	
	Registered Representative – Restricted	

Participants registered in more than one category, must meet the Continuing Education requirements of the more demanding category. For example, a Participant approved as an Ultimate Designated Person and as a PDO-Trading (Registered Representative) is required to complete the Compliance Program and the Professional Development Program.

GUIDELINES FOR THE CONTINUING EDUCATION PROGRAM

INTRODUCTION

This part of Rule 2900, Part III sets guidelines for continuing acceptable education course content, length and rigour which each Dealer Member must comply with if practicable. The guidelines also recommend a process to aid firms in identifying appropriate suppliers and courses.

Dealer Members are not authorized to determine courses eligible for Voluntary Participation, as set out in Part G of this Rule.

The parameters and guidelines should be considered in the context of what is appropriate to the individual, his or her position and responsibilities, and the needs of the firm. This can best be accomplished by each firm allocating responsibility to a single person for defining training needs and appropriate programs to address them. Depending on the firm, some responsibility for approval of an individual's program may be delegated to the appropriate supervisor.

As part of the audit process, the Corporation will review a firm's continuing education program to ensure that it is properly documented and satisfies the guidelines.

THE COMPLIANCE COURSE

A. BASIC PRINCIPLES

1. The Rule requires that certain approved persons successfully complete the compliance course within each three-year CE cycle. To determine which approved persons are required to take the course, please refer to the Rule itself.

2. A Dealer Member can choose to develop and deliver a compliance course, which reflects its own assessment of its current needs and priorities, or it may purchase a compliance course from an external provider. Alternatively, Dealer Members may offer a combination of both.

3. Compliance courses completed by branch managers, sales managers and others in a supervisory position should reflect their additional responsibilities.

4. The Dealer Member must maintain a record of successful completion of the compliance course.

5. As part of the audit process, the Corporation will review Member-developed compliance courses to ensure they satisfy the Guidelines.

6. If the compliance course program includes an examination, this examination must be successfully completed in order for the course to be applied towards the individual's Compliance requirement.

7. Seminars that support other courses, or preparatory courses that support a course or examination, do not qualify separately for CE credit. The course or examination they support must be successfully completed in order to complete the CE requirement and the support or preparatory course hours may then be included in determining the duration of the total course. The CE credits for the preparatory course must be counted towards the same requirement (Compliance or Professional Development) as the applicable course and must be counted in the same CE Cycle.

8. A Participant who sits on a committee or council of the Corporation, or who teaches a financial course may receive CE credits provided the member firm determines that the issues dealt with are relevant. The member firm may determine the amount of time applicable towards CE Compliance credits.

9. Foreign courses that have a compliance portion can satisfy up to 1/3 (4 hours) of the Corporation's CE Compliance requirement for a cycle. The remaining 2/3 (8 hours) must be satisfied through Canadian compliance courses.

10. The Compliance requirement for Voluntary Participation is restricted to selected courses. For further information, see Voluntary Participation Courses in this guideline.

B. DELIVERY GUIDELINES

1. The course or courses used to fulfill the compliance requirement must be a minimum of 12 hours in total duration.

2. The Guidelines have been developed to offer some flexibility to Dealer Members and their approved persons. The manner in which the topics are reviewed is left to the Dealer Member's discretion, provided the minimum 12-hour requirement for every three-year cycle is satisfied.

3. The Dealer Member may choose to deliver the compliance course in a number of ways. The following are examples of possible modes of delivery, but is not exhaustive:

   (a) A Dealer Member may hold an 8-hour in-house compliance seminar, with 4 hours of preparatory reading and study. In the first part of the seminar, topic areas 1 - 4, below, could be reviewed. Then the information imparted could be used in the discussion of case studies during the remainder of the seminar, or

   (b) A Dealer Member could offer the compliance course over the three years, by requiring their approved persons to participate in a minimum 4-hour seminar every year. However, the seminar must still cover at least one of the 4 topic areas set out below and must do so in sufficient depth.

4. It is up to the Dealer Member to determine what constitutes successful completion of the course by its approved persons. For example, a Dealer Member may:

   (a) require its approved persons to write and pass a firm-developed and delivered exam,

   (b) require its approved persons to write and pass an external course provider developed and delivered exam, or

   (c) require a certificate of attendance and participation at a seminar.

   The preceding list of examples is not exhaustive.

C. COURSE CONTENT

1. The course content must fall within at least one of the following 4 major topic areas:

   (a) Review of critical regulations and application

   (b) Regulatory changes

   (c) Rules relating to new products, if offered by the firm

   (d) Ethics

2. Some examples of relevant issues for the 4 topic areas are provided below. Examples are given for both institutional and retail registrants. Certain of the examples will change over time to reflect emerging issues in the industry

   (a) How the Securities Administrators and Self Regulatory Organizations Regulate Securities Industry Participants

   (b) Regulatory Developments that Affect Firm Management

   (c) Disclosure of Information to Clients

   (d) Registration and Continuing Education

   (e) Operations and Firm Capital

(f) Sales and Trading Conduct – General

(g) Sales and Trading – Institutional Markets

(h) Current Developments in Bond Market Regulation

(i) Suitability and New Products

(j) Corporate Finance – New Rules

(k) Corporate Finance – Proposed New Rules

(l) Ethical issues and Case Studies

(m) Anti-money laundering laws and regulations and their implementations at the Dealer Member.

(n) Privacy

(o) Screening for Suitable Clients

3. The importance of certain topics may vary by Dealer Member, depending on the Dealer Member's business and the participants' individual responsibilities.

4. Compliance courses may also be selected from courses accredited through the Corporation's official accreditation Program.

THE PROFESSIONAL DEVELOPMENT COURSE

A. BASIC PRINCIPLES

1. In general, the courses should be relevant to the securities industry and financial advisors, management-oriented, or designed to improve client service.

2. The subject matter of an individual's course or courses should reasonably reflect that person's skill requirements or be based on the firm's products and market strategies.

3. The program undertaken should reflect the industry's commitment to high quality client service, advice, and professionalism.

4. The subject matter should be educational and non-promotional in nature. For example, the following would not qualify: corporate events held exclusively to introduce or promote new product or service offerings, networking events, or motivational speakers.

5. Subject matter relating to issuer-specific/branded product qualifies if presented in the context of a larger education course or presentation. The general education portion of a course relating to a product category may be granted full credit for the number of hours it takes and the issuer-specific portion should be credited half credit.

6. The program's provider should be professional, having defined the program's learning outcomes in advance, and be able to certify a student's successful completion. Alternatively, the firm may certify a student's successful completion, and assume responsibility for this function.

7. If the course program includes an examination, this examination must be successfully completed in order for the course to be applied towards the individual's Professional Development requirement.

8. Seminars that support other courses, or preparatory courses that support a course or examination, do not qualify separately for CE credit. The course or examination they support must be successfully completed in order to complete the CE requirement and the support or preparatory course hours may then be included in determining the duration of the total course. The CE credits for the preparatory course must be counted towards the same requirement (Compliance or Professional Development) as the applicable course and must be counted in the same CE Cycle.

9. An individual who teaches a relevant course may receive CE credits provided the member firm determines that the issues dealt with are relevant to Professional Development. The member firm may determine the amount of time applicable towards CE Professional Development credits.

10. Foreign courses can be used to satisfy the entire Professional Development requirement provided the course relates to the business the participant is engaged in.

11. The Professional Development requirement for Voluntary Participation is restricted to selected courses. For further information, see Voluntary Participation Courses in this guideline.

B. DELIVERY GUIDELINES

1. The course, or combination of courses, used to fulfill the Professional Development course must be at least 30 hours.

2. The Guidelines have been developed to offer some flexibility to Dealer Members and their approved persons. The manner in which the topics are reviewed is left to the Dealer Member's discretion, provided the minimum 30-hour requirement for every three-year cycle is satisfied.

3. The determination of delivery should consider both the most appropriate learning tools and the need to ensure that requirements have been met. In different situations, any of the following may prove to be appropriate

   (a) Self-study materials which may contain an evaluation

   (b) Material delivered electronically through computer-based technology

   (c) Seminars and discussions delivered through internal or external providers

4. Material should, where possible, use cases and other application-based learning to develop problem-solving and decision-making skills. Training strategies should focus on product knowledge, regulatory knowledge, business development skills, managerial skills and client communication skills.

5. In some firms, programs have been developed beyond the basic licensing requirements for investment advisors, branch managers, and others. These courses are designed to develop additional skills particular to the position. This type of course would generally meet the criteria for the continuing education program. However, these courses must be of a non-promotional nature, i.e. there must be no specific product incentives attached.

C. COURSE CONTENT

1. Generally, the courses ought to examine product groups, services and investment and financial strategies that the individual may offer to clients or managerial skill for individuals. More specifically, the courses and materials should deal with the following areas:

   (a) Product category features which should be fully communicated to a client in recommending a product

   (b) Approaches to valuation of a product category and the product's applicable risk factors

   (c) Strategies for investing in a product category including the particular client objectives in which it would provide the most suitable results

   (d) The suitability of the use of leverage for a particular product category and investment strategy

   (e) The features and applicable cost of a service which the firm offers

   (f) The regulatory, tax and other features of a product or service which might affect its suitability

(g) Methods of evaluating competing products, services and investment strategies

(h) The suitability of a product category, service or strategy for clients with different financial, risk and knowledge profiles

(i) Managerial skills which would assist managers in meeting strategic and operational objectives

(j) Communication skills which would result in improved client service and determinations of client service

(k) Practice management skills which would provide tools to assist firm personnel in improving client service

(l) Technology used to enhance client service and the provision of advice.

(m) Screening for Suitable Clients – the quantitative and the qualitative

2. The following are some examples of external courses that would likely fit the criteria outlined in the framework for an individual's course of study:

(a) Additional licensing courses offered by the CSI Global Education Inc. such as derivatives courses may be used to satisfy the requirement; however, the Professional Financial Planning Course, Investment Management Techniques Course or Wealth Management Essentials course may be used only if it has not been used to satisfy the requirement of Rule 2900, Part I, Section A.3(c).

(b) Courses accredited through the Corporation's official accreditation Program.

(c) Relevant courses offered or endorsed by professional associations that have licensing and continuing education programs such as, CIMA, CFP, CFA, IQPF, CLU, insurance licensing and CSI designations

(d) Relevant courses delivered through established post secondary institutions.

D. SUGGESTED PROCESS TO ESTABLISH TRAINING SOLUTIONS FOR MEETING CONTINUOUS EDUCATION REQUIREMENTS

1. Identify Training Needs

(a) Identify knowledge and skills, which would impact positively on the firm and individuals.

(b) Identify the learning objectives expected from the program or course.

2. Identify the evaluation method(s) to be used.

3. Determine how successful completion is to be ascertained.

4. Identify the delivery mechanism

(a) Determine whether external or internal delivery is most appropriate approach.

(b) Determine external suppliers or internal experts who are professional and capable of providing delivery of material.

(c) Identify programs / courses that would deliver the skills and knowledge which would meet the firm and individual needs.

5. Cross-check outcomes desired against outcomes promised.

VOLUNTARY PARTICIPATION COURSE REQUIREMENTS

1. Courses used for Voluntary Participation are restricted to those identified by the Corporation.
2. Courses that qualify for Voluntary Participation have the following characteristics:
   (a) They build upon or refresh the course materials of the CSC and CPH
   (b) Each course used must be a minimum of 12 hours if Compliance-Related and a minimum of 30 hours if related to Professional Development
   (c) They must include a learning evaluation process such as an exam or case study
   (d) The course provider must provide proof of successful completion

RULE 3000

CODE OF CONDUCT FOR DEALING IN REPO MARKETS

Introduction

This policy creates a standard set of trading practices that should not only increase the transparency of the Repo markets, but also help promote liquidity and efficiency.

Dealers and inter-dealer brokers should also refer to Rule 2800, Code of Conduct for Trading in Domestic Debt Markets, and specifically the provisions relating to confidentiality of dealings in the domestic debt market with customers and counterparties. Rule 2800 is intended to reinforce the integrity of the secondary markets, covering all domestic debt markets, including repo and security lending.

Definitions

For the purpose of this Rule 3000:

"Best Efforts" means a trade where the buyer assumes the risk that the seller will not be able to make the delivery within the time frame requested by the buyer;

"Forward Repo" means a trade that settles in a longer time frame than next day settlement;

"Inter-dealer Broker" means an organization, whether or not incorporated, that provides information, voice or non-electronic trading and communications services in connection with trading in wholesale financial markets among customers of the organization; and

"Odd Lot" means:

(a) A lot less than $25 million for overnight and term general collateral; or

(b) A lot less than $25 million for specials (terms and overnights).

A. Confidential Nature of Transactions

1. Confidentiality

(a) It is the responsibility of all dealers and inter-dealer brokers to maintain confidentiality of the names of parties to a trade. Dealers and inter-dealer brokers shall not ask or answer any questions aimed at discovering the identity of any party to a trade, such as any characteristics of the counterparty.

(b) Despite subparagraph (a), the identity of parties to a trade through an inter-dealer broker may be disclosed

(i) After the trade is completed, and

(ii) Only to the counterparties to that trade.

(c) An inter-dealer broker may inform a dealer that it does not have a line of credit with the other side before a market is made, provided that no other indication is given as to the identity of the party in question.

(d) Nothing in this Rule shall be construed as preventing dealers or inter-dealer brokers from asking and/or answering questions aimed at discovering the size of the offer/bid.

2. Name Give-Up

The full names of counterparties shall be disclosed immediately at the time of trade in order to ensure that proper credit procedures are followed.

B. Screen Guidelines

1. Life of Bid

Unless otherwise specified, all bids and offers are good until cancelled, or the end of the business day, whichever comes first.

2. Going "Subject"

At 11:30 a.m. (Toronto time) all cash settlements will go "subject" and the inter-dealer brokers will contact the dealers to renew them.

3. Off-Screen Trading

(a) Off-screen markets shall be cleared with on-screen accounts.

(b) All off-screen trades shall be flashed on-screen within 15 minutes of completion of the transaction.

(c) If an off-screen number is to be shown only to the bid/offer, the account should specify that it is a one-time ("on a call") show.

4. Open Trades

Upon request, inter-dealer brokers may notify the repo community of repo roll rates.

5. Backing Up Into First Place

(a) If a market trades at a different rate, then the aggressor is allowed to take priority on-screen provided they match the existing market.

(b) If the market is topped for a minimum of five minutes and subsequently backed off, without trading, the market maker that topped the bid shall assume market priority.

(c) If the market is topped for less than five minutes and subsequently backed off, without trading, the original market maker shall maintain priority.

6. Priority of Bids

(a) Once the market has been established on-screen joining of the bid/offer shall not be permitted.

(b) The first party to declare as second buyer/seller shall take over a priority once the original buyer/seller has been filled.

7. Minimum Increments

Markets may be topped in a *minimum* of one (1) basis point increments.

8. Interruptions

If one market participant is hitting a bid, a second participant cannot swing in and lift an offer, while the bid is being filled.

9. Declaring Intentions

The aggressor and the market maker shall declare their intentions within five seconds of the time of trade.

10. Board Lots & Trading in Odd Lots

(a) The need for odd lot trading before 10:00 a.m. (Toronto time) is recognized, but the handling of this matter is left with the business judgement of each inter-dealer broker.

(b) Inter-dealer brokers may consider the following suggestion in regards to odd lot trading before 10:00 a.m.:

(i) If, before 10:00 a.m., there is no market, meaning no bid or no offer, in a particular security, a dealer should be able to show an odd lot on the screens with the understanding that if a round lot comes in before the odd lot is traded, the round lot would take precedence over the odd lot regardless of rate.

11. "Line Full"/"No Line"

(a) When a market is made and "line full" or "no line" flashes on the screen, no trade has taken place and all bids and offers should be renewed by those interested in market making the particular security.

(b) If "no line" is flashed on screen three times, the market is then worked off-screen.

12. "Hit When"/"Lift When" Clear

A market maker who is informed during the clearing time period of being "hit when clear"/"lifted when clear" by a third party should treat that as a valid execution in the event that the market maker is cleared.

13. Screen Notations

(a) Markets incorporating unusual provisions shall be denoted on an inter-dealer broker's screen;

(b) Examples of elements that shall be denoted include:

(i) Non-payment of intervening coupons (NIC),

(ii) Anything other than price plus accrued interest for open and overnight trades,

(iii) Right of substitution, and

(iv) Trades done on a "best efforts" basis.

14. Items That Should Appear On Separate Lines

Markets with stipulations or 'all or nothing trades' should appear on separate lines on an inter-dealer broker's screen.

15. Partial Fills

If 'all or nothing' is not specified, dealers making markets in amounts greater than the standard board lot shall accept transactions in board lot increments.

16. Monitoring Screen

It is up to the individual inter-dealer broker to monitor their screen. An inter-dealer broker's screen shall clearly state whether they are 'live' or 'subject'. This is especially the case immediately following the release of new economic data.

C. Assumptions as to Manner of Settlement

1. General

(a) Unless the parties to a trade otherwise agree

(i) All trades, except overnight and open trades, done before 11:30 a.m. (Toronto time) are assumed to be cash trades, and

(ii) All trades, except overnight and open trades, done after 11:40 a.m. (Toronto time) are assumed to be next day settlement trades.

(b) Unless the parties to a trade otherwise agree, all overnight and open trades are assumed to be cash trades until the relevant cut-off time.

2. Assumption for "Best Efforts"

(a) It is assumed that

(i) The buyer in a trade done on a "best efforts" basis before the dealer-to-dealer cut-off time seeks delivery before the close of the dealer-to-dealer cut-off time, and

(ii) The buyer in a trade done on a "best efforts" basis before the dealer-to-customer cut-off time seeks delivery before the close of the dealer-to-customer cut-off time.

(b) It is generally understood that an inter-dealer broker's screen will flash "best efforts" five minutes and 59 seconds before the relevant cut-off time.

3. All other Trades Done for Regular Settlement

All other trades, including general collateral and mortgage securities term trades, general collateral and mortgage securities overnight trades, and off-the-run specials, settling "regular" shall be priced and descriptions of the collateral shall be given by 9:00 a.m. (Toronto time) of the following morning.

4. Cash Trades Up to 11:00 a.m.

Unless the parties to a trade otherwise agree, all term and overnight trades executed through inter-dealer brokers and settling "cash" done up to and including 11:00 a.m. (Toronto time) shall be priced and a description of the collateral shall be given by 12:00 p.m. (Toronto time).

5. Cash Trades After 11:00 a.m.

(a) Unless the parties otherwise agree, all term and overnight trades executed through inter-dealer brokers and settling "cash" done by 12:30 p.m. (Toronto time) shall be priced and a description of the collateral shall be given within 30 minutes of the time that the trade is done.

(b) Subparagraph (a) applies for both the Treasury bill and the bond markets.

6. General Collateral

General collateral consists of Government of Canada debt that is DCS eligible. Any non-standard conditions should be specified before completing the transaction.

7. Value Dates

All market participants shall adhere to standard day counts, as outlined in the chart below, for all trades, specifically term trades. Any participant that wishes to trade to an odd date must specify at the time the order is given to the inter-dealer broker.

8. Term Contracts

The Standard Day Count chart below provides the number of days in each standard contract. Contracts shall roll over a weekend or statutory holiday. Market participants shall specify prior to dealing if they wish to deal to a different date.

Standard Day Count

Contract	Number of Days
1 month	**30**
2 month	**60**
3 month	**91**
4 month	**121**
5 month	**151**
6 month	**182**
7 month	**212**
8 month	**242**
9 month	**273**
10 month	**303**
11 month	**333**
12 month	**364**

D. Marking to Market

1. Margin Calls

(a) Unless the parties to a trade otherwise agree, margin calls on all dealer-to-dealer repo transactions shall be met with transfers of collateral and/or cash.

(b) If the party being marked chooses to meet its margin call with cash, such cash shall not be used to change the economic substance of the trade, but will bear interest at a rate to be determined between the two parties.

(c) If the party being marked chooses to meet its margin call with collateral, the collateral shall have

(i) Characteristics similar to, or better than, the collateral being repoed,

(ii) Reasonably acceptable to the counter-party, and

(iii) Applied on a reasonable basis

(d) A maximum of one piece of collateral per one million should be delivered.

2. Notification of Marks

(a) A party wishing to mark-to-market its counterparties shall do so by 11:30 a.m. (Toronto time).

(b) The mark-to-market should be done on a net basis rather than marking on an issue specific basis.

3. Periodic Review

Unless the parties to a trade otherwise agree, margins shall be reviewed periodically to determine their appropriateness given the remaining term to maturity.

4. Mechanism for Meeting Margin Calls

Margins maintenance shall be achieved through margin calls. In particular, substitutions should not be the mechanism for margin maintenance.

5. Validation of Pricing

(a) If a dispute arises between counterparties, current mid-market prices shall be used to determine the mark-to-market price variance.

(b) Composite prices on an inter-dealer broker's screen shall be used to arrive at the mid-market price.

6. Substitution of Margin Collateral

A party wishing to substitute previously pledged margin collateral shall do so by 11:30 a.m. (Toronto time).

E. Confirmations of Forward Repos

1. Timing and Content

(a) Confirmations shall be sent on forward repos on the day on which the trade takes place.

(b) In addition to any applicable regulatory requirements, the confirmation shall specify at a minimum:

(i) The money or the par amount, as appropriate,

(ii) The start date,

(iii) The end date,

(iv) The rate of interest,

(v) The type of collateral, and

(vi) Whether there are any rights of substitution.

2. Confirming Transactions

All forward settlement transactions shall be confirmed on the "Eltra"/DCS system.

F. Obligation to Make Coupon Payment

1. Definition of "All in Price"

A repo seller is entitled to receive the income payment from the repo buyer to the same extent that it would have been entitled to receive income had it not entered into repurchase transactions on the securities.

2. Definition of "Clean Price"

A repo buyer is not obligated to transfer an income payment to the repo seller. The income payment is applied to reduce the amount to be transferred to the repo buyer upon termination of the transaction. This methodology is consistent with the definition found in Section 4 of the Corporation Repurchase/Reverse Repurchase Transaction Agreement. All transactions are priced using the "clean price" method unless otherwise agreed upon before dealing.

G. General Collateral Repo Allocations

The repo market allocates general collateral transactions based on the type of transactions executed. The following describes the allocation methods generally used for cash settlements, forward settlements, and replacement transactions when substitutions occur:

1. Money-Fill Transactions

It is common practise in Canada that all general collateral transactions be completed on a money-fill basis unless otherwise specified.

(a) Cash – When a transaction is executed on a money-fill basis, the loan or principal amount allocated shall be equal to the loan amount transacted. Collateral allocation on a money-fill basis will be no more than two issues to make $50 million.

(b) Forward Settlement – Same as cash.

(c) Substitutions – Same as cash.

2. Par Transactions

(a) Cash Settlement – When a transaction is executed on a par basis, the allocated amount shall equal the par amount transacted.

(b) Forward Settlement – Same as cash settlement.

(c) Substitutions – When a transaction is executed on a par basis, the replacement transaction shall be done on the basis of the par amount originally transacted.

H. Special Repo Trades

It is current market convention to allocate special repo trades on a par basis.

I. Substitution

1. "Best Efforts"

If collateral has been passed for an overnight or term trade, any substitutions shall be accepted on a "best efforts" basis only.

2. Specifying Substitution

Unless specified prior to initiation of the transaction, the purchaser is under no obligation to allow substitution of collateral.

3. Timing of Collateral Substitutions

(a) Unless the parties to a trade otherwise agree, counterparties to trades with rights of substitution shall be notified of the substitution by 10:00 a.m. (Toronto time) and provided with the description of the substituted collateral by 11:00 a.m. (Toronto time).

(b) If the trade was executed through an inter-dealer broker, the collateral seller is required to notify the executing inter-dealer broker of the substituted collateral within the time frame defined in subparagraph 3(a).

(c) The executing inter-dealer broker is then required to immediately notify the customer of the substituted collateral.

J. Application and Enforcement

(a) Dealer Members are expected to conduct their business to ensure compliance with this Rule.

(b) Failure to comply with this Rule may subject a Dealer Member to sanctions pursuant to the enforcement and disciplinary Rules of the Corporation.

RULE 3100

REPORTING AND RECORDKEEPING REQUIREMENTS

Introduction

This Rule establishes minimum requirements concerning information that registrants are required to report to Dealer Members and information that Dealer Members are required to report to the designated self-regulatory organization ("SRO").

Dealer Members and registrants should also refer to the Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/Approval), which also sets out information that Dealer Members and registrants must report to their designated SRO.

Definitions

For the purposes of this Rule:

"business days" means a day other than Saturday, Sunday or any officially recognized Federal or Provincial statutory holiday.

"civil claim" includes civil claims pending before a court or tribunal.

"compensation" means the payment of a sum of money, securities, reversal of a securities transaction, inclusion of a securities transaction (whether either transaction has a realized or unrealized loss) or any other equivalent type of entry which is intended to offset or counterbalance an act of misconduct. A correction of a client account or position as a result of good faith trading errors and omissions is not considered to be "compensation" for the purposes of Rule 3100.

"designated SRO" means the self-regulatory organization that has been assigned the prime audit jurisdiction for the Dealer Member under the Canadian Investor Protection Fund Agreement.

"exchange contracts" include, but are not limited, to commodity futures contracts and commodity futures options.

"legislation or law" includes, but is not limited to, any rules, policies, regulations, rulings or directives of any securities commission.

"misrepresentation" means:

i) an untrue statement of fact; or

ii) an omission to state a fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

"registrant" means any partner, director, officer or registered or approved person of a Dealer Member.

"securities – related" means:

(i) any matter related to securities or exchange contracts; or

(ii) any matter related to the handling of client accounts or dealings with clients; or

(iii) any matter that is the subject of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or

(iv) any matter that is the subject of by-laws, rules, regulations, rulings or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada.

"service complaints" means any complaint by a client which is founded on customer service issues and is not the subject of:

i) any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or

ii) by-laws, rules, regulations, rulings or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada.

I. REPORTING REQUIREMENTS

A. Reporting Requirements to Member

1. Each registrant shall report to the Dealer Member, within two business days, whenever:

   (a) there is any change to the information contained in his or her Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/Approval);

   (b) he or she has reason to believe that he or she is or may have been in contravention of:

      (i) any provision of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or

      (ii) any by-laws, regulations, rules, rulings or policies of any regulatory or self-regulatory organization, professional licensing or registration body in any jurisdiction, inside or outside of Canada.

   (c) he or she is the subject of any customer complaint in writing; or

   (d) he or she is aware of a customer complaint, whether in writing or any other form, with respect to any other registrant involving allegations of theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading.

2. Each Dealer Member shall designate a person or department with whom the reports and records required by Part I Section A shall be filed.

B. Reporting Requirements to Designated SRO

1. Each Dealer Member shall report to its designated SRO, in such detail and frequency as prescribed by the SRO:

   (a) Whenever there is any change to the information contained in the Uniform Application for Registration/Approval or Form 33-109F4 under Rule 40 or any registrant;

   (b) whenever the Dealer Member, or any current or former registrant is charged with, convicted of, pleads guilty or no contest to, any criminal offence, in any jurisdiction, inside or outside of Canada, while in the employ of the Dealer Member, or concerning matters that occurred while in the employ of the Dealer Member;

   (c) whenever the Dealer Member, or a current or former registrant, is:

(i) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of any legislation or law concerning securities or exchange contracts, of any jurisdiction, inside or outside of Canada, while in the employ of the Dealer Member, or concerning matters that occurred while in the employ of the Dealer Member;

(ii) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of the by-laws, regulations, rules, rulings or policies of any regulatory or self-regulatory organization, professional licensing or registration body in any jurisdiction, inside or outside of Canada, while in the employ of the Dealer Member, or concerning matters that occurred while in the employ of the Dealer Member; or

(iii) denied registration or a license by any regulatory or self-regulatory organization, professional licensing or registration body, in any jurisdiction, inside or outside of Canada, while in the employ of the Dealer Member.

(d) all customer complaints in writing, except service complaints, against the Dealer Member or any current or former registrant;

(e) all securities-related civil claims and arbitration notices filed, against the Dealer Member, or against any current or former registrant, in any jurisdiction inside or outside Canada, while in the employ of the Dealer Member, or concerning matters that occurred while in the employ of the Dealer Member;

(f) all resolutions of any matters reportable pursuant to I.B.1(b),(c),(d) and (e) of this Rule, including, judgements, awards, private settlements and arbitrations, in any jurisdiction, inside or outside of Canada;

(g) whenever a registrant is the subject of any internal disciplinary action where:

(i) there is a customer complaint in writing pursuant to Part I B. 1(d) of this Rule;

(ii) there is a securities-related civil claim or arbitration notice pursuant to Part I B.1(e) of this Rule;

(iii) there is an internal investigation pursuant to Part I B. 1(h) and Part II of this Rule;

(iv) member initiated disciplinary action involves suspension, termination, demotion or the imposition of trading restrictions;

(v) member initiated disciplinary action, arising from any source other than (i)–(iii), involves the withholding of commissions or imposition of fines in excess of $5,000 for a single matter, $15,000 cumulatively for a one calendar year period or where commission has been withheld or fines imposed three or more times during one calendar year period.

(h) whenever an internal investigation, pursuant to Part II of this Rule, is commenced and the results of such internal investigation when completed.

2. Documentation associated with each item required to be reported under Part I Section B shall be maintained and available to the designated SRO, upon request, for a minimum of 2 years from the resolution of the matter.

3. Where the designated SRO is the Corporation, it shall have the power to impose a prescribed administrative fee for failure to comply with any of the reporting requirements set out in this policy. The Corporation may also impose any other penalties pursuant to Rule 20.

II. INTERNAL INVESTIGATIONS

1. The Dealer Member shall conduct an internal investigation where it appears that the Dealer Member, or any current or former registrant, while in the employ of the Dealer Member, has violated any provision of any legislation or law, or has violated any by-laws, rules, regulations, rulings or policies of any regulatory or self-regulatory organization relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading, in any jurisdiction, inside or outside of Canada.

2. Records of investigations under Part II Section 1 shall be:

   (a) in sufficient detail to show the cause, steps taken and result of each investigation; and

   (b) maintained and available to the designated SRO upon request for a minimum of two years from the completion of the investigation.

III. SETTLEMENT AGREEMENTS

1. No registrant shall, without prior written consent of the Dealer Member, enter into any settlement with a customer, whether the settlement is in the form of monetary payment, delivery of securities, reduction of commissions or any other form, and whether the settlement is the result of a customer complaint or a finding by the individual or Dealer Member. Such prior written consent and the terms and conditions of such shall be kept on record by the Dealer Member.

2. Part III Section 1 shall not apply to any registrant authorized by the Dealer Member to negotiate or enter into settlement agreements in the normal course of his/her duties with respect to settlement agreements that do not arise out of activities involving the registrant.

RULE 3200

MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL UNDER RULE 1300.1(T) FOR SUITABILITY RELIEF FOR TRADES NOT RECOMMENDED BY THE MEMBER

The following Rule sets forth the documentary, procedural and systems requirements for Dealer Members to receive approval to accept orders from a customer without a suitability determination where no recommendation was provided by the Dealer Member.

In this Rule, "order-execution service" means the acceptance and execution of orders from customers for trades that the Dealer Member has not recommended and for which the Dealer Member takes no responsibility as to the appropriateness or suitability of the trades to the customers' financial situation, investment knowledge, investment objectives and risk tolerance.

A. Minimum requirements for Dealer Members offering solely an order-execution service, either as the Dealer Member's only business or through a separate business unit of the Dealer Member

1. Business Structure and Compensation

a) The Dealer Member must operate either as a legal entity or a separate business unit which provides order-execution only services.

b) If operated as a separate business unit of the Dealer Member, the order-execution only service must have separate letterhead, accounts, registered representatives and investment representatives and account documentation.

c) The registered representatives and investment representatives of the Dealer Member or separate business unit of the Dealer Member shall not be compensated on the basis of transactional revenues.

2. Written Policies and Procedures

(a) The Dealer Member or separate business unit of the Dealer Member must have written policies and procedures covering all of the matters outlined in this Rule.

(b) The Dealer Member or separate business unit of the Dealer Member must have a program for communicating those policies and procedures to all its registered representatives and investment representatives and ensuring that the policies and procedures are understood and implemented.

3. Account Opening

(a) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must make a written disclosure to the customer advising that the Dealer Member or separate business unit of the Dealer Member will not provide any recommendations to the customer and will not be responsible for making a suitability determination of trades when accepting orders from the customer. Such disclosure shall clearly explain to the customer that the customer alone is responsible for his or her own investment decisions and that the Dealer Member will not consider the customer's financial situation, investment knowledge, investment objectives and risk tolerance when accepting orders from the customer.

(b) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must obtain an acknowledgement from the customer that the

customer has received and understood the disclosure described in Paragraph 3(a). For accounts such as joint and investment club accounts having more than one direct beneficial owner, the Dealer Member must obtain an acknowledgement from all beneficial owners.

(c) Prior to operating any existing accounts under the approval, the Dealer Member or separate business unit of the Dealer Member must provide the disclosure described in Paragraph 3(a) to the customer and obtain the acknowledgement described in Paragraph 3(b).

(d) The acknowledgements obtained under Paragraphs 3(b) and (c) must take the form of a positive act by the customer(s), a record of which must be maintained by the Dealer Member in an accessible form. Possible forms of the acknowledgement are:

(i) The customer's signature or initials on a new customer application form or similar document where the signature or initial specifically relates to the required disclosure and acknowledgement;

(ii) The clicking of an appropriately labeled button on an electronic account application form, placed directly under the disclosure and acknowledgement text;

(iii) The tape recording of a verbal acknowledgement made by telephone.

4. Supervision

(a) The Dealer Member or separate business unit of the Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that customers are not provided with recommendations as a result of the customer having an account with the separate business unit of the Dealer Member and with another separate business unit of the Dealer Member or with the Dealer Member itself.

(b) The Dealer Member or separate business unit of the Dealer Member must have written procedures and systems in place to review customer trading and accounts for those concerns listed in Rule 2500 other than those related solely to suitability.

(c) The Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of supervisory reviews as required in Rule 2500.

(d) The Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this Rule.

5. Systems and Books and Records

(a) The order-entry systems and records of the Dealer Member or separate business unit of the Dealer Member must be capable of labeling all account documentation relating to customers, including monthly statements and confirmations, as "order-execution only accounts" or some variant thereof.

(b) The monthly statements of a separate business unit of a Dealer Member shall not be consolidated with the account statements of any other business unit of the Dealer Member or of the Dealer Member itself.

B. Minimum requirements for Dealer Members offering both an advisory and an order-execution only service

1. Terminology

All references to the basis of trades in procedures, documents and reports under this Rule must use the terms "recommended" or "non-recommended". In particular, designating trades as solicited or unsolicited will not be accepted as complying with the requirements of this Rule.

2. Written Policies and Procedures

(a) The Dealer Member must have written policies and procedures covering all of the matters outlined in this Rule.

(b) The Dealer Member must have a program for communicating those policies and procedures to all its registered representatives and ensuring that the policies and procedures are understood and implemented.

3. Account Opening

(a) At the time an account is opened, the Dealer Member must make a written disclosure to the customer advising that the Dealer Member will not be responsible for making a suitability determination when accepting an order from the customer which was not recommended by the Dealer Member or a representative of the Dealer Member. Such disclosure shall clearly explain to the customer that the customer alone is responsible for his or her own investment decisions and that the Dealer Member will not consider the customer's financial situation, investment knowledge, investment objectives and risk tolerance when accepting orders from the customer. Such disclosure also shall include a brief description of what does or does not constitute a recommendation[4] and instructions on how the customer can report trades which have not been accurately designated as recommended or non-recommended.

(b) At the time an account is opened, the Dealer Member must obtain an acknowledgement from the customer that the customer has received and understood the disclosure described in Paragraph 3(a). For accounts such as joint and investment club accounts having more than one direct beneficial owner, the Dealer Member must obtain an acknowledgement from all beneficial owners.

(c) Prior to operating any existing accounts under the approval, the Dealer Member must provide the disclosure described in Paragraph 3(a) to the customer and obtain the acknowledgement described in Paragraph 3(b).

(d) The acknowledgements obtained under Paragraphs 3(b) and (c) must take the form of a positive act by the customer(s), a record of which must be maintained

[4] The language of the disclosure shall be the following: in general terms, a dealer is providing a recommendation to you, the client, when the dealer provides you with investment information or advice specifically and individually tailored to your financial situation, investment knowledge, investment objectives, past investments or risk tolerance. However, whether a particular transaction is in fact recommended depends on an analysis of all the relevant facts and circumstances.

by the Dealer Member in an accessible form. Possible forms of the acknowledgement are:

ii) The customer's signature or initials on a new customer application form or similar document where the signature or initial specifically relates to the required disclosure and acknowledgement;

iii) The clicking of an appropriately labeled button on an electronic account application form, placed directly under the disclosure and acknowledgement text;

iv) The tape recording of a verbal acknowledgement made by telephone.

4. Supervision

(a) The Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that orders are marked accurately as recommended or non-recommended.

(b) The Dealer Member must have written procedures for the selection of accounts to be subject to a monthly review at least equal to those currently required by Rule 2500. The selection must not have regard to whether the trades in the account are marked as recommended or non-recommended. The account review must include a determination whether the overall composition of the customer's portfolio no longer conforms to the documented objectives and risk tolerance of the customer as a result of non-recommended trades and, when it does not, the procedures must specify the steps to be taken for dealing with the disparity.

(c) The Dealer Member must maintain an audit trail of supervisory reviews as required in Rule 2500.

(d) The Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this Rule.

5. Systems and Books and Records

(a) The Dealer Member's order-entry systems and records must be capable of recording whether each order is being done on a recommended or non-recommended basis. If the Dealer Member permits customers to enter orders on-line for direct transmission to a trading system, the order entry system must require the customer to indicate whether the trade was recommended or non-recommended. If there is default marking, it must be "recommended."

(b) The Dealer Member must disclose on the confirmation for each trade by an account whether the transaction was recommended or non-recommended.

(c) The Dealer Member must disclose on the monthly statement whether each trade was executed on a recommended or non-recommended basis, but is not required to disclose on monthly statements which securities positions resulted from which type of trade.

(d) The Dealer Member must maintain records of complaints or requests from customers to change the designation of a trade as recommended or non-recommended.

(e) The Dealer Member must be able to generate reports enabling supervisors to supervise the accuracy of recommended/non-recommended disclosure on orders.

Possible methods of meeting this requirement are included as Appendix A to this Rule.

(f) The Dealer Member's systems must be able to select accounts or generate exception reports to show accounts requiring review as specified in its policies and procedures and Rule 2500 without regard to whether the trades were marked as recommended or non-recommended.

APPENDIX A

SUPERVISION OF ACCURACY OF RECOMMENDED/NON-RECOMMENDED TRADE BASIS REPORTING FOR DEALER MEMBER FIRMS GRANTED APPROVAL UNDER RULE 1300.1(T)

Under section B.4 (a) of Rule 3200, Dealer Members must have procedures for the supervision of trading reasonably designed to ensure the accuracy of the marking of customer orders as recommended or non-recommended. Under section B.5(e) of Rule 3200, Dealer Members must have systems capable of generating reports which will enable supervisors to conduct such supervision.

While Dealer Members may, subject to the approval of the Corporation, design their own procedures and reports in compliance with the Rule, the following are examples of reports and procedures which the Corporation believes would meet the requirements of the Rule.

1. Reports used in required daily trading reviews should indicate whether a trade has been designated as recommended or non-recommended.

2. Procedures should direct those reviewing reports used in daily trade supervision to look for patterns suggestive of inaccurate designation of trade basis, such as:

   (a) Trades by more than one customer of a registered representative in the same security on the same day being designated as non-recommended. Where such situations occur, there must be a reasonable explanation such as widespread holding or trading of the stock;

   (b) Trades in securities that are the subject of research reports issued or distributed by the Dealer Member, or with respect to which the Dealer Member has recently changed its research recommendation. While the issuance of a research report or general recommendation is not determinative that there has been a recommendation made to a specific customer, trades in such securities marked as non-recommended may be questioned in relation to the individual registered representative's tendency to make use of the Dealer Member's recommendations in dealings with customers;

   (c) Crosses between customer accounts of the same registered representative both shown as non-recommended.

3. The Dealer Member should be able to generate statistical or exception reports capable of revealing patterns of trade designation to be reviewed for possible inaccuracy, for example:

   (a) Percentages of trades designated as recommended and non-recommended by registered representative and branch office. Depending on the nature of the business of the registered representative or branch office, high percentages of trades designated as non-recommended may indicate inaccurate marking;

   (b) Percentages of trades in particular securities designated as recommended or non-recommended. High percentages of trades in some securities marked as non-recommended, such as those being recommended in the Dealer Member's research, may be indicative of inaccurate marking. Such reports may also identify frequent trades by particular offices or registered representatives in one security, which are all marked as non-recommended but occur over more than one day. As noted above, such a pattern may require further investigation by the Dealer Member but is not determinative that the trades are inaccurately marked;

(c) Numbers of complaints or reports from customers that trades are inaccurately marked which show any frequency of complaints about a particular registered representative or branch office.

4. The Dealer Member's procedures should provide instructions to supervisors on the requirement to review statistical and exception reports, on steps to be taken to investigate any questionable patterns and on audit trail requirements. Audit trails should include a record of questions asked, answers given and action taken as in reviews conducted under Rule 2500.

5. Where compliance procedures under this Rule are conducted at the branch office level, the Dealer Member should have head office review procedures sufficient to ensure that the supervisory requirements are being properly executed at the branch level.

RULE 3300

RESERVED FOR FUTURE USE.

RULE 3400

RESEARCH RESTRICTIONS AND DISCLOSURE REQUIREMENTS

Introduction

This Rule establishes requirements that analysts must follow when publishing research reports or making recommendations. These requirements represent the minimum procedural requirements that Dealer Members must have in place to minimize potential conflicts of interest. The Disclosure required under Rule 3400 must be clear, comprehensive and prominent. Boilerplate disclosure is not sufficient.

These requirements are based on the recommendations of the Securities Industry Committee on Analyst Standards with input from both industry and non-industry groups.

Definitions

“advisory capacity” means providing advice to an issuer in return for remuneration, other than advice with respect to trading and related services.

“analyst” means any partner, director, officer, employee or agent of a Dealer Member who is held out to the public as an analyst or whose responsibilities to the Dealer Member include the preparation of any written report for distribution to clients or prospective clients of the Dealer Member which includes a recommendation with respect to a security.

"equity related security" means a security whose performance is based on the performance of an underlying equity security or a basket of income producing assets. Securities classified as an equity related security include, without limitation, convertible securities and income trust units.

“investment banking service” includes, without limitation, acting as an underwriter in an offering for the issuer; acting as a financial adviser in a merger or acquisition; providing venture capital, lines of credit, or serving as a placement agent for the issuer.

"research report" means any written or electronic communication that the Dealer Member has distributed or will distribute to its clients or the general public, which contains an analyst's recommendation concerning the purchase, sale or holding of a security (but shall exclude all government debt and government guaranteed debt).

“remuneration” means any good, service or other benefit, monetary or otherwise, that could be provided to or received by an analyst.

“supervisory analyst” means an officer of the Dealer Member designated as being responsible for research.

Requirements

1. Each Dealer Member shall have written conflict of interest policies and procedures, in order to minimize conflicts faced by analysts. All such policies must be approved by and filed with the Corporation.

2. Each Dealer Member shall prominently disclose in any research report:

   (a) any information regarding its, or its analyst's business with or relationship with any issuer which is the subject of the report which might reasonably be expected to indicate a potential conflict of interest on the part of the Dealer Member or the analyst in making a recommendation with regard to the issuer. Such information includes, but is not limited to:

(i) whether, as of the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month, the Dealer Member and its affiliates collectively beneficially own 1% or more of any class of the issuer's equity securities,

(ii) whether the analyst or any associate of the analyst responsible for the report or recommendation or any individuals directly involved in the preparation of the report hold or are short any of the issuer's securities directly or through derivatives,

(iii) whether any partner, director or officer of a Dealer Member or any analyst involved in the preparation of a report on the issuer has, during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trade execution services,

(iv) whether the Dealer Member firm has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation,

(v) the name of any partner, director, officer, employee or agent of the Dealer Member who is an officer, director or employee of the issuer, or who serves in any advisory capacity to the issuer, and

(vi) whether the Dealer Member is making a market in an equity or equity related security of the subject issuer.

(b) the Dealer Member's system for rating investment opportunities and how each recommendation fits within the system and shall disclose on their websites or otherwise, quarterly, the percentage of its recommendations that fall into each category of their recommended terminology; and

(c) its policies and procedures regarding the dissemination of research.

A Dealer Member shall comply with subsections (b) and (c) by disclosing such information in the report or by disclosing in the report where such information can be obtained.

3. Where an employee of a Dealer Member makes a public comment (which shall include an interview) about the merits of an issuer or its securities, a reference must be made to the existence of any relevant research report issued by the Dealer Member containing the disclosure as required above, if one exists, or it must be disclosed that such a report does not exist.

4. Where a Dealer Member distributes a research report prepared by an independent third party to its clients under the third party name, the Dealer Member must disclose any items which would be required to be disclosed under requirement 2 of Rule 3400 had the report been issued in the Dealer Member's name. This requirement does not apply to research reports issued a dealer regulated by the Financial Industry Regulatory Authority or issued by persons governed by other regulators approved by the Corporation, and does not apply if the Dealer Member simply provides to clients access to the independent third party research reports or provides independent third party research at the request of clients. However, where this requirement does not apply, Dealer Members must disclose that such research is not prepared subject to Canadian disclosure requirements.

5. No Dealer Member shall issue a research report prepared by an analyst if the analyst or any associate of the analyst serves as an officer, director or employee of the issuer or serves in any advisory capacity to the issuer.

6. Any Dealer Member that distributes research reports to clients or prospective clients in its own name must disclose its research dissemination policies and procedures on its website or by other means.

7. Each Dealer Member who distributes research reports to clients or prospective clients shall have policies and procedures reasonably designed to prohibit any trading by its partners, directors, officers, employees or agents resulting in an increase, a decrease, or liquidation of a position in a listed security, or a derivative instrument based principally on a listed or quoted security, with knowledge of or in anticipation of the distribution of a research report, a new recommendation or a change in a recommendation relating to a security that could reasonably be expected to have an effect on the price of the security.

8. No individual directly involved in the preparation of the report can effect a trade in a security of an issuer, or a derivative instrument whose value depends principally on the value of a security of an issuer, regarding which the analyst has an outstanding recommendation for a period of 30 calendar days before and 5 calendar days after issuance of the research report, unless that individual receives the previous written approval of a designated partner, officer or director of the Dealer Member. No approval may be given to allow an analyst or any individual involved in the preparation of the report to make a trade that is contrary to the analyst's current recommendation, unless special circumstances exist.

9. Dealer Members must disclose in research reports if in the previous 12 months the analyst responsible for preparing the report received compensation based upon the Dealer Member's investment banking revenues.

10. No Dealer Member may pay any bonus, salary or other form of compensation to an analyst that is directly based upon one or more specific investment banking services transactions.

11. Each Dealer Member shall have policies and procedures in place reasonably to prevent recommendations in research reports from being influenced by the investment- banking department or the issuer. Such policies and procedures shall, at minimum:

    (i) prohibit any requirement for approval of research reports by the investment banking department;

    (ii) limit comments from the investment banking department on research reports to correction of factual errors;

    (iii) prevent the investment banking department from receiving advance notice of ratings or rating changes on covered companies; and

    (iv) establish systems to control and keep records of the flow of information between analysts and investment banking departments regarding issuers that are the subject of current or prospective research reports.

12. No Dealer Member may directly or indirectly offer favorable research, a specific rating or a specific price target, a delay in changing a rating or price target or threaten to change research, a rating or a price target of an issuer as consideration or inducement for the receipt of business or compensation from an issuer.

13. Dealer Members must disclose in research reports if and to what extent an analyst has viewed the material operations of an issuer. Dealer Members must also disclose where there has been a payment or reimbursement by the issuer of the analyst's travel expenses for such visit.

14. No Dealer Member may issue a research report for an equity or equity related security regarding an issuer for which the Dealer Member acted as manager or co-manager of

    (i) an initial public offering of equity or equity related securities, for 40 calendar days following the date of the offering; or

    (ii) a secondary offering of equity or equity related securities, for 10 calendar days following the date of the offering;

    but requirement 14(i) and (ii) do not prevent a Dealer Member from issuing a research report concerning the effects of significant news about or a significant event affecting the issuer within the applicable 40 or 10 day period.

14.1. Requirement 14 does not apply where the subject securities are exempted from restrictions under provisions relating to market stabilization in securities legislation or in the Universal Market Integrity Rules.

15. When a Dealer Member distributes a research report covering six or more issuers, such a report may indicate where the disclosures required under Rule 3400 may be found.

16. Dealer Members must issue notice of their intention to suspend or discontinue coverage of an issuer. However, no issuance is required when the sole reason for the suspension is that an issuer has been placed on a Dealer Member's restricted list.

17. Dealer Members must obtain an annual certification from the head of the research department and chief executive officer which states that their analysts are familiar with and have complied with the CFA Institute Code of Ethics and Standards of Professional Conduct whether they are members of the CFA Institute or not.

18. Where a supervisory analyst of a Dealer Member serves as an officer or director of an issuer, then the Dealer Member must not provide research on the issuer.

19. Dealer Members must pre-approve analysts outside business activities.

20. Where Dealer Members set price targets as recommended under guideline 4, Dealer Members must disclose the valuation methods used.

Guidelines

In addition to the above requirements, when establishing policies and procedures as referred to under requirement 1 of Rule 3400, Dealer Members must comply with the following best practices, where practicable:

1. Dealer Members should distinguish clearly in each research report between information provided by the issuer or obtained elsewhere and the analyst's own assumptions and opinions.

2. Dealer Members should disclose in their research reports and recommendations reliance by the analyst upon any report or study by third party experts other than the analyst responsible for the report. Where there is such reliance, the name of the third party experts should be disclosed.

3. Dealer Members should adopt standards of research coverage that include, at a minimum, the obligation to maintain and publish current financial estimates and recommendations

on securities followed, and to revisit such estimates and recommendations within a reasonable time following the release of material information by an issuer or the occurrence of other relevant events.

4. Dealer Members should set price targets for recommended transactions, where practicable, and with the appropriate disclosure.

5. Dealer Members should use specific securities terminology in research reports where required to do so by Securities Legislation. Where such terminology is not required, Dealer Members should use the specific technical terminology that is required by the relevant industry, professional association or regulatory authority or in the absence of required terminology use technical terminology that is customarily in use. Where necessary, for full understanding, a glossary should be included.

6. A Dealer Member should make its research reports widely available through its websites or by other means for all of its clients whom the Dealer Member has determined are entitled to receive such research reports at the same time.

7. Where feasible by virtue of the number of analysts, Dealer Members should appoint one or more supervisory analyst or head of research to be responsible for reviewing and approving research reports as required under Rule 29.7, who should be a partner, director or officer of the Dealer Member and should have the CFA designation or other appropriate qualifications. Dealer Members may have more than one supervisory analyst where necessary.

8. Dealer Members should require their analyst employees to obtain the Chartered Financial Analyst designation or other appropriate qualifications.

9. Dealer Members should require that the head of the research department, or in small firms where there is no head then the analyst or analysts report to a senior officer or partner who is not the head of the investment banking department. However, no policies or procedures will be approved under requirement 1 unless the Corporation is satisfied that they address the relationship between the investment- banking department and research department.