

ONTARIO SECURITIES COMMISSION

BY-LAW NO. 1

(EFFECTIVE JANUARY 18, 1998)

A By-law relating generally to the conduct of the affairs of the Ontario Securities Commission (the "Commission")

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BE IT ENACTED as a By-law of the Commission as follows:

ARTICLE 1 - INTERPRETATION

1.1 Definitions. In this By-law, unless the context otherwise requires:

"Act" means the *Securities Act*, R.S.O. 1990, c. S.5, and any statute that may from time to time be substituted therefor, as it may be amended from time to time;

"appoint" includes "elect" and vice versa;

"Board" means the board of directors of the Commission, which is composed of the Members of the Commission;

"By-laws" means this By-law and all other By-laws of the Commission from time to time in effect;

"Chair" means the Member designated by the Lieutenant Governor in Council to be Chair of the Commission pursuant to the Act;

"Commission" means the Ontario Securities Commission continued as a corporation without share capital on November 1, 1997 under the name Ontario Securities Commission in English and Commission des valeurs mobilières de l'Ontario in French;

"Crown" means Her Majesty in right of the Province of Ontario;

"director" means a Member of the Commission;

"employee" means any staff member of the Commission, including a probationary or temporary staff member, but does not include a Member or special employee;

"Member" means a member (including the Chair) appointed to the Commission by the Lieutenant Governor in Council pursuant to the Act;

"Minister" shall have the meaning ascribed thereto in subsection 1(1) of the Act;

"signing officer" means, in relation to any instrument, any person authorized to sign the same on behalf of the Commission by or pursuant to section 2.3;

"special employee" means any person employed on a fixed term contract by, or seconded to, the Commission; and

"Vice-Chair" means a Member designated by the Lieutenant Governor in Council to be a Vice-Chair of the Commission pursuant to the Act.

Unless defined above, all terms that are contained in this By-law and which are defined in the Act shall have the meanings given to such terms in the Act. Words importing the singular number include the plural and vice versa, words importing gender include the masculine, feminine and neuter genders, and words importing a person include an individual, a sole proprietorship, a partnership, an unincorporated association, an unincorporated syndicate, an unincorporated organization, a trust, a body corporate and a natural person in his capacity as trustee, executor, administrator or other legal representative.

1.2 Hearings. Subject to section 5.5, nothing in this By-law shall affect or govern procedures at hearings of the Commission.

1.3 Internal Affairs. This By-law relates to the internal affairs of the Commission, and, without prejudice to any right or remedy arising at law without regard to the provisions of this By-law, no failure by any Member, employee or special employee to comply with any provision of this By-law shall affect the validity of any action taken by the Commission or give rise to any rights or remedies by any person.

ARTICLE 2 - AFFAIRS OF THE COMMISSION

2.1 Head Office. The head office of the Commission shall be at such location in the Province of Ontario as the Board may from time to time determine by resolution.

2.2 Corporate Seal. The seal of the Commission shall be that adopted by the Board from time to time by resolution, but any authorized agreement or other instrument on behalf of the Commission is not invalidated simply because it does not have attached thereto the corporate seal.

2.3 Execution of Instruments. Except as otherwise required or permitted by the Act or regulations, documents requiring execution by the Commission may be signed on behalf of the Commission by the Chair, a Vice-Chair, the Executive Director, any two directors or any two other persons authorized for such purpose by resolution of the Board. In addition, the Board may from time to time direct the manner in which and the person or persons by whom any particular instrument or class of instruments may or shall be signed. Any signing officer may affix the corporate seal to any instrument.

2.4 Banking Arrangements. The banking business of the Commission shall be transacted with such banks, trust companies or other bodies corporate or organizations as

may from time to time be designated by or under the authority of the Board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the Board may from time to time prescribe or authorize.

2.5 Borrowing Power. The Commission may borrow as permitted in the Act.

ARTICLE 3 - DIRECTORS

3.1 Calling of Meetings. Meetings of the Board shall be held from time to time at such time and at such place as the Board, the Chair, a Vice-Chair or the Executive Director may determine.

3.2 Notice of Meeting. Notice of the time and place of each meeting of the Board shall be given in the manner provided in section 3.9 to each director not less than 72 hours (excluding Saturdays, Sundays and statutory holidays) before the time when the meeting is to be held. A director may in any manner and at any time waive a notice of or otherwise consent to a meeting of the Board and attendance of a director at a meeting of the Board is a waiver of notice of the meeting.

3.3 Adjourned Meeting. Notice of an adjourned meeting of the Board is not required to be given to directors present at the original meeting if the time and place of the adjourned meeting is announced at the original meeting.

3.4 Regular Meetings. The Board may appoint a day or days in any month or months for regular meetings of the Board at a place and hour to be named. A copy of any resolution of the Board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting.

3.5 Votes to Govern. At all meetings of the Board, every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes the chair of the meeting shall not be entitled to a second or casting vote.

3.6 Action by the Board. The powers of the Board may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the Board.

3.7 Meetings by Telephone. If all the directors present at or participating in a meeting consent, a meeting of the Board or of a committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such a meeting by such means shall be deemed to be present at that meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings

of the Board or of a committee of the Board.

3.8 Remuneration and Expenses. Until otherwise fixed in the manner provided for in this By-Law, the remuneration and benefits of the Members shall continue to be those in effect on October 31, 1997. Except as aforesaid, the Members shall from time to time be paid such remuneration for their services, and shall be entitled to such benefits, as shall be fixed by the Board at or below the recommendation of a committee jointly nominated by the Minister and the Chair. Members shall also be entitled to be reimbursed for expenses properly and actually incurred by them in connection with the affairs of the Commission. Subject to subsection 3.6(3) of the Act, nothing herein contained shall preclude any Member from being retained by the Commission for a special project and receiving compensation therefor, provided that such retainer is not on a full-time basis.

3.9 Notices. Any notice (which term includes any communication or document) to be given (which term includes sent, delivered, or served) pursuant to the Act, the regulations the By-laws or otherwise to a director, officer or member of a committee of the Board shall be sufficiently given if delivered personally to the person to whom it is to be given; or if delivered to his or her recorded address; or if mailed to him or her at his recorded address by prepaid ordinary or air mail; or if sent to him or her at his or her recorded address by any means of prepaid transmitted or recorded communication (including without limitation telecopier or electronic mail). A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box and deemed to have been received on the fifth day after mailing; and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched, or when delivered to the appropriate communication company or agency or its representative for dispatch. The Secretary may change or cause to be changed the recorded address of any director, officer or member of a committee of the Board in accordance with any information believed by him or her to be reliable. In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included. The accidental omission to give any notice to any director, officer or member of a committee of the Board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

3.10 Validity of Actions. No act or proceeding of any director, of the Board or of any committee of the Board shall be deemed invalid or ineffective solely by reason of the subsequent ascertainment of any irregularity in regard to such act or proceeding.

ARTICLE 4 - COMMITTEES

4.1 Formation of Committees. The Board may by resolution appoint from their number one or more committees of the Board, however designated, and the chair of each such committee, and may by resolution specify the purpose and function of any such committee.

4.2 Transaction of Business. The powers of a committee of the Board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. All committee decisions shall be made by simple majority of committee members present. Meetings of such committee may be held at such place in Canada as the committee may from time to time determine. Subject to this section, each committee shall have the right to establish such procedures as it sees fit governing the time, place and method for holding its meetings and the conduct of business at such meetings. Minutes of all decisions of a committee shall be recorded in writing, and such decisions shall be reported to the Board at its next meeting.

4.3 Dissolution of Committees. The Board may by resolution dissolve any committee of the Board.

4.4 Advisory Bodies. The Board may from time to time appoint such advisory bodies as it may deem advisable.

4.5 Procedure. Unless otherwise determined by the Board, each committee and advisory body shall fix its quorum, which shall be not less than two members.

ARTICLE 5 - OFFICERS

5.1 Appointment. The Board shall appoint from among the employees or special employees an Executive Director and a Secretary as officers of the Commission, and such other officers as the Board may determine, including one or more assistants to any of the officers so appointed. Subject to subsection 3.6(3) of the Act, an officer may but need not be a director and one person may hold more than one office.

5.2 Chair. The Chair is the chief executive officer of the Commission. The Chair shall have such powers, functions and duties as are set forth in the Act and regulations, and shall carry out such other functions and duties as are assigned to him or her from time to time by the Board.

5.3 Vice-Chairs. The Vice-Chairs shall assist the Chair in carrying out his or her functions and duties. A Vice-Chair shall have such powers, functions and duties as

are set forth in the Act and regulations, and shall carry out such other functions and duties as are assigned to him or her from time to time by the Chair or the Board.

5.4 Executive Director. The Executive Director is, subject to the direction of the Commission, the chief administrative officer of the Commission, and shall report to the Chair. Subject to the Act and regulations and to the authority of the Board and the Chair, the Executive Director shall have general supervision of the financial and other affairs of the Commission. The Executive Director shall have such powers, functions and duties as are set forth in the Act and regulations, and shall carry out such other functions and duties as are assigned to him or her from time to time by the Chair or the Board. Unless otherwise determined by the Board, the Executive Director shall be entitled to attend all meetings of the Board and of all committees of the Board.

5.5 Secretary. The Secretary shall, unless otherwise determined by the Board, attend and be the secretary of all meetings of the Board and of committees of the Board and of all oral hearings of the Commission (or arrange for another employee or special employee to so act), and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings at such meetings; he or she shall give or cause to be given, as and when instructed, all notices to directors, officers, auditors and members of committees of the Board; and he or she shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Commission and of all books, papers, records, documents and instruments belonging to the Commission, except when some other person has been appointed for that purpose. The Secretary shall report to the Executive Director and the Chair. The Secretary shall have such powers, functions and duties as are set forth in the Act and regulations, and shall carry out such other functions and duties as are assigned to him or her from time to time by the Chair, the Vice-Chairs, the Executive Director or the Board.

5.6 Assistants. Subject to the Act and regulations, any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the Board, the Chair or the Executive Director otherwise directs.

5.7 Term of Office. The Board, in its discretion, may remove any officer of the Commission (other than the Chair or a Vice-Chair), without prejudice to such officer's rights under any employment contract. Each officer appointed by the Board shall hold office until his or her successor is appointed or until his or her earlier resignation, retirement or removal.

5.8 Terms of Employment and Remuneration. The terms of employment and remuneration of the Executive Director shall be settled by the Board from time to time, and the terms of employment and remuneration of other officers appointed by the Board shall, unless settled by the Board, be determined by the Chair or the Executive Director from time to time.

5.9 Agents and Attorneys. The Commission, by or under the authority

of the Board, shall have power from time to time to appoint agents or attorneys for the Commission with such powers of management, administration or otherwise (including the power to sub-delegate) as may be thought fit, subject to the provisions of the Act and regulations.

5.10 Fidelity Bonds. The Board may require such officers, employees and agents of the Commission as the Board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the Board may from time to time determine.

ARTICLE 6 - PROTECTION OF MEMBERS, OFFICERS AND OTHERS

6.1 Indemnity. (a) Subject to any limitations contained in the Act, the Commission shall indemnify a Member or officer, a former Member or officer, or a person who acts or acted at the Commission's request as a director or officer of a body corporate of which the Commission is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a Member or officer of the Commission or a director or officer of such body corporate, if:

- (i) he or she acted honestly and in good faith with a view to the best interests of the Commission; and
- (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

(b) Despite anything in this section, a person referred to in clause (a) is entitled to indemnity from the Commission in respect of all costs, charges and expenses reasonably incurred by him or her in connection with the defence of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of the Commission or body corporate, if the person seeking indemnity:

- (i) was substantially successful on the merits in his or her defence of the action or proceeding; and
- (ii) fulfils the conditions set out in clauses (a)(i) and (ii).

(c) This section shall apply only to Members or officers, former Members or officers, and persons acting at the Commission's request as directors or officers of a body corporate of which the Commission is or was a shareholder or creditor, who occupy such positions or act in such capacities on or after October 31, 1997.

(d) Nothing in this By-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this By-law.

6.2 Proceedings. In the event any proceeding is instituted involving any person in respect of which indemnification is sought pursuant to section 6.1 and a court of competent jurisdiction subsequently finds that indemnification is not available under section 6.1, the person shall be responsible for reimbursing the Commission for all costs, charges and expenses incurred by the Commission in defending the claims on behalf of the person.

6.3 Insurance. Subject to the Act, the Commission may purchase and maintain insurance for the benefit of any person referred to in section 6.1, or other persons, against such liabilities and in such amounts as the Board may from time to time determine.

ARTICLE 7 - REFUND OF FEES

7.1 Refunds of Fees. If a fee has been paid to the Commission under the Act under any other statute, or under any regulations made thereunder, any Director (as defined in the Act), or person acting in that capacity by appointment of the Commission, may approve the refund of the whole or any part of such fee, as such Director considers fair and reasonable in the circumstances, and each such approved refund shall be made by the Commission.

ARTICLE 8 - AUDITORS

8.1 Auditors. Subject to the Act, the Board shall annually appoint one or more auditors to hold office and, if an appointment is not so made, the auditor in office shall continue in office until a successor is appointed. The remuneration of an auditor so appointed shall be fixed by the Board.

ARTICLE 9 - EFFECTIVE DATE

9.1 Effective Date. This By-law shall come into force on the date provided for in the Act.

ADOPTED by the Board in accordance with the Act the 4th day of November, 1997.

Morley P. Carscallen

Vice-Chair

Daniel P. Iggers

Secretary