



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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

**-and-**

**IN THE MATTER OF  
CANADIAN IMPERIAL BANK OF COMMERCE  
AND CIBC WORLD MARKETS INC.**

**O R D E R**

**WHEREAS** on December 18, 2009, the Ontario Securities Commission (the “Commission”) issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the “Act”) in relation to Canadian Imperial Bank of Commerce and CIBC World Markets Inc. (together, “CIBC”);

**AND WHEREAS** CIBC and Staff of the Commission (“Staff”) entered into a settlement agreement dated December 16, 2009 attached hereto as Appendix “A” (the “Settlement Agreement”) in which they agreed to a settlement of the proceeding commenced by the Notice of Hearing dated December 18, 2009, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement, and upon hearing submissions from counsel for Staff and CIBC;

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

**IT IS ORDERED THAT:**

1. The Settlement Agreement is approved;

2. CIBC shall submit to a review of its compliance practices and procedures in accordance with the Terms of Reference attached at Schedule “B” to the Settlement Agreement;
3. CIBC pay to the Commission the sum of \$21.7 million, to be allocated under section 3.4(2)(b) of the Act to or for the benefit of third parties; and
4. CIBC pay the costs of the Commission’s investigation in the amount of \$300,000.

**DATED** at Toronto this 21<sup>st</sup> day of December, 2009.

“James E.A. Turner”  
James E. A. Turner

“Mary G. Condon”  
Mary G. Condon

**APPENDIX “A”**

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

**-and-**

**IN THE MATTER OF  
CANADIAN IMPERIAL BANK OF COMMERCE  
AND CIBC WORLD MARKETS INC.**

**SETTLEMENT AGREEMENT**

**PART I – INTRODUCTION**

1. The Ontario Securities Commission (the “Commission”) will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to section 127 and section 127.1 of the *Securities Act*, R.S.O. 1990, c. S-5, as amended (the “Act”), it is in the public interest for the Commission to make certain orders in respect of Canadian Imperial Bank of Commerce and CIBC World Markets Inc. (together, “CIBC”).

**PART II – JOINT SETTLEMENT RECOMMENDATION**

2. Staff of the Commission (“Staff”) agree to recommend settlement of the proceeding commenced by Notice of Hearing dated December 18, 2009 (the “Proceeding”) against CIBC according to the terms and conditions set out in Part IV of this Settlement Agreement. CIBC agrees to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

**PART III – AGREED FACTS**

3. CIBC admits the facts set out in this Settlement Agreement solely for the purposes of this Settlement Agreement. This Settlement Agreement and the

facts and admissions set out herein are without prejudice to CIBC in any proceeding including, without limitation, any civil, administrative, quasi-criminal or criminal actions or proceedings that may be brought by any person or agency, whether or not this Settlement Agreement is approved by the Commission.

## **OVERVIEW**

4. Canadian Imperial Bank of Commerce is a bank listed on Schedule I of the Bank Act (Canada). Its head office is located in Toronto, Ontario. CIBC World Markets Inc. is a corporation incorporated under the laws of the Province of Ontario. It is a wholly owned subsidiary of CIBC. Its head office is also located in Toronto, Ontario.
5. On August 13, 2007, the Canadian non-bank sponsored asset-backed commercial paper (“ABCP” or “third-party ABCP”) market froze, leaving Canadian investors holding illiquid investments that they could neither sell nor redeem.
6. CIBC was an agent for issuers in the third-party ABCP market. In that capacity, CIBC bought and sold third-party ABCP.

## **ASSET-BACKED COMMERCIAL PAPER**

7. ABCP is a short-term debt instrument with typical maturities of 30 to 180 days. ABCP is backed by a pool of underlying assets and offers a yield slightly better than the yield offered on short-term government debt.
8. ABCP is issued by a special purpose vehicle (also referred to as a conduit). In Canada, ABCP is issued by trusts established by sponsors. Sponsors generally select underlying assets, administer the assets and arrange for the sale of the ABCP notes. The Canadian ABCP market included two categories: bank-sponsored and non-bank-sponsored (or third party) ABCP.

9. As the underlying assets held by conduits were long-term and the ABCP notes were short-term, there was a timing mismatch between the cash flowing from the assets and the cash needed to repay maturing ABCP. For many years, conduits met their maturity obligations by selling newly issued ABCP, the proceeds of which were used to pay maturing ABCP. The liquidity of ABCP was an important characteristic for investors along with credit ratings and yields.
10. To safeguard against difficulty meeting maturity obligations, conduits entered into agreements with liquidity providers which provided credit lines under certain conditions. In general, there were two types of liquidity facilities: (1) general market disruption (“GMD”) and (2) global-style. GMD liquidity was also called “Canadian-style” since it was only available in the Canadian ABCP market. Unlike global-style liquidity facilities, Canadian-style liquidity facilities required specified “general market disruption” events and a credit rating affirmation before liquidity was provided.
11. Liquidity agreements were subject to confidentiality provisions. Many details of the pre-conditions required for liquidity support, including the definition of a “general market disruption event”, were not known to the public, investors or to the distributors of ABCP who were not also liquidity providers. Conduits generally disclosed the existence of their liquidity arrangements and disclosed that there were pre-conditions to draws.
12. In Ontario, as of September 14, 2005, pursuant to National Instrument 45-106 - *Prospectus and Registration Exemptions*, the issuance and sale of commercial paper, including ABCP, was exempt from the requirements to deliver a prospectus, provided that such commercial paper matured not more than one year from the date of issue and had an “approved credit rating” from an “approved credit rating organization”.

13. The conduits issuing the ABCP were not reporting issuers under applicable securities laws and were not required to engage in continuous disclosure under Canadian securities laws.
14. Dominion Bond Rating Services Limited (“DBRS”), an approved credit rating organization, was the sole credit rating organization which rated third-party ABCP in Canada. To this end, DBRS had access to the following information regarding third-party ABCP: the details of the structure, the underlying assets and the liquidity agreements.
15. On January 19, 2007, DBRS announced changes to its rating methodology for certain new transactions entered into by ABCP issuers. The DBRS press release set out specific new rating criteria, including a requirement for global-style liquidity, to be applied prospectively in the marketplace.

### **THIRD-PARTY ABCP**

16. ABCP has been in the Canadian marketplace for over a decade, and non-bank sponsors entered the marketplace in approximately 2000.
17. Historically, the assets underlying ABCP consisted of traditional assets such as consumer loans, credit card receivables and residential mortgages. Non-traditional complex synthetic assets, such as collateralized debt obligations, came into these structures over time.
18. Third-party ABCP was typically issued by a series of notes, the most common being Series “A” Notes and Series “E” Notes. The “A” Notes were supported by the Canadian-style liquidity facilities. “E” Notes were not supported by liquidity facilities, but could be extended up to 364 days after the original maturity date if certain conditions were met, including that market conditions did not allow for “E” Notes to be sold at a specified spread.

19. The sponsors provided limited information regarding the underlying pool of assets in conduits issuing ABCP. Sponsors typically provided an information memorandum describing the basic elements of ABCP. In most cases, the general asset classes were the only information publicly disclosed; there was no disclosure of the specific assets held in the conduits or the terms of the liquidity agreements supporting the ABCP.

#### **COVENTREE INC.**

20. At all material times, Coventree Inc. was the largest sponsor of third-party ABCP in Canada. Coventree Inc. also issued third-party ABCP through a subsidiary, Nereus Financial Inc. (“Nereus”).
21. At all material times, Coventree Inc. and Nereus (collectively, “Coventree”) sponsored the following third-party ABCP conduits: Apollo Trust, Aurora Trust, Comet Trust, Gemini Trust, Planet Trust, Rocket Trust, Slate Trust, Venus Trust, Structured Investment Trust III and Structured Asset Trust.
22. All Coventree conduits but one received an R1-(high) rating (the highest credit rating available, equivalent to a “AAA” for long term debt) by DBRS, as did other Canadian third-party ABCP. This rating remained in place at all material times up to and including August 13, 2007. Coventree ABCP was rated by DBRS above the minimum “approved credit rating” required by NI 45-106 at all material times.

#### **DISTRIBUTION OF THIRD-PARTY ABCP**

23. In general, third-party ABCP was distributed to investors through a dealer group (the “dealer syndicate”). Typically, one member of the dealer syndicate would be appointed as lead dealer. Some of the lead dealer's daily duties included the allocation of ABCP notes to dealer syndicate members and setting the yield in consultation with the conduit sponsor.

24. The dealer syndicate members maintained trading lines, up to a credit limit, for third-party ABCP mainly to provide a market-making function. Dealer syndicate members would typically purchase third-party ABCP that was not sold at the end of a trading day. These positions were to be held on a short-term basis, typically overnight, until the notes could be sold to investors. Dealer syndicate members also purchased third-party ABCP from investors in the secondary market. While the dealer syndicate was under no obligation to purchase any third-party ABCP, they did so to provide a secondary market, maintain liquidity in the market and/or as a service to investors. Dealer syndicate members other than the lead dealer also had the option to turn back ABCP to the lead dealer if they were unable to sell their daily allocation, but this was not their ordinary practice.
25. Third-party ABCP traded in a dealer market, also known as an over-the-counter (“OTC”) market. Unlike an auction market or exchange, the OTC market did not have a centralized quotation system and/or a centralized repository containing disclosure information that investors could access independently.
26. The primary information that dealers disclosed to investors was the name, yield, term and credit rating of third-party ABCP.

#### **THE MARKET FREEZE**

27. On August 13, 2007, a number of Canadian third-party ABCP conduits including the Coventree conduits were unable to sell new ABCP to fund the repayment of maturing ABCP. Many of the conduits' liquidity providers did not agree that the conditions for liquidity funding had occurred and refused to provide liquidity to the affected conduits.
28. As of August 13, 2007, the third-party ABCP market totalled approximately \$35 billion, with Coventree conduits representing approximately 46 percent of the value of the third-party ABCP market.

29. On August 16, 2007, a consortium representing banks, asset providers and major ABCP holders agreed to take steps to establish normal operations in the ABCP market. This agreement was known as the Montreal Proposal.
30. A Pan-Canadian Investors Committee, including investors who were signatories to the Montreal Proposal plus other significant holders, was established to oversee the restructuring of third-party ABCP. It put forward the Plan of Compromise and Arrangement (the “Plan”), which was implemented on January 21, 2009.
31. Pursuant to the Plan, holders of the eligible third-party ABCP had their short-term notes exchanged for longer term notes to match more closely the maturity dates of the underlying assets. These new notes were issued by Master Asset Vehicles (“MAVs”). It is not currently possible to determine if any or all of the notes of the MAVs will mature at par value.

#### **CIBC'S ROLE IN SELLING THIRD PARTY ABCP**

32. CIBC first started selling third-party ABCP around 2000. CIBC sold ABCP to investors pursuant to a registration exemption found in section 4.1 of OSC Rule 45-501 - *Ontario Prospectus and Registration Exemptions*, which is available to CIBC as a financial intermediary, and pursuant to an exemption order made in favour of CIBC by the Ontario Securities Commission on October 23, 2006.
33. CIBC sold third-party ABCP to corporations and institutional investors through its Money Market Desk.

**EMERGING ISSUES*****(a) US Subprime Exposure***

34. During the period from March to June, 2007, increasing defaults in US subprime mortgages started to place strains on credit markets in the United States.
35. Prior to July 24, 2007, CIBC had obtained some subprime information about third-party ABCP on the following occasions:
  - (a) Two representatives of CIBC, some ABCP investors that purchased through CIBC and other market participants attended a Coventree investor presentation in late April 2007. At that presentation, Coventree covered a number of topics, including disclosing that the overall US subprime exposure in its conduits was 7.4 percent and that all assets remained enhanced to AAA and were performing as expected.
  - (b) In mid-March 2007, CIBC obtained some information respecting US subprime exposure for third-party ABCP conduits from the lead dealer on behalf of a third party ABCP investor.
36. On July 24, 2007, a third-party ABCP investor sold \$100 million of its non-Coventree third-party ABCP prior to maturity to CIBC.
37. Later on July 24, 2007, Coventree sent an email (the “July 24th email”) to all of Coventree's syndicate members, including CIBC, setting out information regarding US subprime exposure in Coventree conduits as of June 28, 2007 and indicating the following:
  - (a) low loss levels;
  - (b) that subprime deal vintages were focused in pre-2006 vintages; and

- (c) that all assets were performing as expected and remained at AAA level.
38. The July 24th email stated that “[a]t Coventree we are committed to furnishing our investors and dealer partners with the information they need to continue to support us through market cycles.”
39. The July 24th email listed the US subprime exposure in each of the conduits as follows:

<b>Conduits</b>	<b>Series A</b>	<b>Series E</b>	<b>Total ABCP</b>
Aurora Trust	0%	8%	3%
Comet Trust	0%	42%	16%
Planet Trust	26%	3%	17%
Slate Trust	0%	16%	13%
Apollo Trust Gemini Trust Rocket Trust Venus Trust	0%	0%	0%
SAT	0%	0%	0%
SIT III	1%	0%	1%
<b>TOTAL</b>	<b>3%</b>	<b>6%</b>	<b>5%</b>

40. The information communicated in the July 24th email by Coventree was not verifiable by CIBC through publicly available sources. In order to understand the information and its context, CIBC contacted Coventree to seek further information, and was advised by Coventree that all of the information contained in the July 24th email was known to DBRS.
41. Coventree advised that it was not going to generally disclose the July 24th email to investors but did not prohibit the disclosure of the information contained in the July 24th email and advised that CIBC could use its judgment in disclosing the information.
42. The July 24th email was disseminated to certain staff at both the bank and dealer.

43. On July 24, 2007, CIBC Risk Management initiated a review of all credit limits for commercial paper. While this review was in progress, CIBC Risk Management instructed the Money Market Desk to temporarily refrain from buying Coventree-sponsored ABCP until the Risk Management review was complete. When CIBC Risk Management's review was complete on July 26, 2007, credit limits were adjusted downward from prior limits. Historically, those credit limits were not fully utilized.
44. Between July 25 and August 1, 2007, CIBC-sponsored conduits allowed Coventree-sponsored ABCP to mature without rolling into new ABCP.
45. CIBC disclosed the information contained in the July 24th email to at least two investors. It did not generally disclose the information to Coventree-sponsored ABCP investors that purchased through CIBC.

***(b) Liquidity Issues***

46. CIBC became aware, starting on July 30, 2007, that spreads were beginning to widen on third-party ABCP and those spreads continued to widen until August 13, 2007.
47. CIBC was also aware that two investors were reducing their exposure to third-party ABCP by declining to roll third-party ABCP. In addition, CIBC declined to provide bids for all "E" Notes as of July 30, 2007. Further, CIBC began to return unsold third-party ABCP to the lead dealer.
48. By August 3, 2007, CIBC was concerned that liquidity issues may affect the third-party ABCP market more generally.

**CIBC'S RESPONSE TO EMERGING ISSUES**

49. CIBC continued to sell Coventree and certain other third-party ABCP from July 25 to August 3, 2007. During that period, CIBC sold \$245 million to investors

- who may not have been aware of those issues, \$22 million of which came from CIBC's inventory (excluding sales of ABCP that matured prior to August 13, 2007).
50. On Friday, August 3, 2007, the Money Market Desk learned from Coventree's lead dealer that Coventree would likely be unable to fund its maturing ABCP upon the resumption of the market on Tuesday, August 7, 2007 (after a long weekend). This was the first time that CIBC received information indicating a likelihood of default by a third-party ABCP sponsor.
  51. Given the new information received on Friday, August 3, 2007, CIBC became concerned about the possibility of a market disruption in Coventree ABCP occurring during the following week. Over the long weekend that followed, appropriate senior management of CIBC were advised of the emerging issues and assessed the risks to holders and prospective purchasers of Coventree ABCP. CIBC notified the Bank of Canada of its concerns on two occasions that weekend. During the long weekend, CIBC decided that it would no longer offer Coventree-sponsored ABCP for sale when the market reopened on Tuesday, August 7, 2007.
  52. In the period from August 7, 2007 to August 13, 2007, while the third-party ABCP market continued functioning, CIBC did not sell, or offer to sell, any Coventree ABCP.
  53. On August 13, 2007, ten days after CIBC stopped selling third-party ABCP, the third-party ABCP market froze.
  54. As at August 13, 2007, CIBC held for its own account \$358 million in frozen third-party ABCP.
  55. CIBC did not inform senior management or compliance of the emerging issues in the third-party ABCP market prior to Saturday, August 4, 2007. As a result,

there was a delay in engaging appropriate processes for assessing the impact of emerging issues in the third-party ABCP market.

56. More generally, CIBC did not conduct new product review with respect to third-party ABCP, nor changes to ABCP. In addition, CIBC did not provide formal training to its sales representatives concerning the third-party ABCP product.

### **CIBC'S ADMISSION**

57. Between July 25 and August 3, 2007, CIBC engaged in conduct contrary to the public interest by failing to adequately respond to emerging issues in the third-party ABCP market insofar as it continued to sell third-party ABCP without engaging compliance and other appropriate processes for the assessment of such information and concerns.

### **CIBC'S POSITION**

58. CIBC participated in the Montreal Proposal, an agreement among market participants to protect investor value in the third-party ABCP market, which was an essential first step in the restructuring process approved by the Ontario Superior Court of Justice under the *Companies' Creditors Arrangement Act* (Canada). CIBC contributed approximately \$300 million in liquidity lines to help make the Plan financially viable.
59. CIBC fully cooperated with the joint regulatory investigation at its own expense.

**PART IV – TERMS OF SETTLEMENT**

60. CIBC agrees to the terms of settlement listed below.
61. The Commission will make an order pursuant to section 127(1) and section 127.1 of the Act that:
- (a) The Settlement Agreement is approved;
  - (b) CIBC shall submit to a review of its compliance practices and procedures in accordance with the Terms of Reference attached at Schedule “B”;
  - (c) CIBC pay to the Commission the sum of \$21.7 million, to be allocated under s. 3.4(2)(b) of the Act to or for the benefit of third parties; and
  - (d) CIBC pay the costs of the Commission’s investigation in the amount of \$300,000.
62. CIBC agrees to personally make any payments ordered above through immediately available funds when the Commission approves this Settlement Agreement. CIBC will not be reimbursed for, or receive a contribution toward, this payment from any other person or company.

**PART V – STAFF COMMITMENT**

63. If the Commission approves this Settlement Agreement, Staff, the Investment Industry Regulatory Organization of Canada and Autorité des marchés financiers will not commence any proceeding against the Respondent or any of its affiliates or their respective present or former directors, officers, employees or agents in relation to the facts set out in Part III of this Settlement Agreement, subject to the provisions of paragraph 64 below.
64. If the Commission approves this Settlement Agreement and CIBC fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings

under Ontario securities law against CIBC. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement as well as the breach of the Settlement Agreement.

#### **PART VI – PROCEDURE FOR APPROVAL OF SETTLEMENT**

65. The parties will seek approval of this Settlement Agreement at a public hearing before the Commission scheduled for December 21, 2009 or on another date agreed to by Staff and CIBC, according to the procedures set out in this Settlement Agreement and the Commission's Rules of Practice.
66. Staff and CIBC agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing on CIBC's conduct, unless the parties agree that additional facts should be submitted at the settlement hearing.
67. If the Commission approves this Settlement Agreement, CIBC agrees to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.
68. If the Commission approves this Settlement Agreement, neither party will make any public statement that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the settlement hearing.
69. Whether or not the Commission approves this Settlement Agreement, CIBC will not use, in any proceeding, this Settlement Agreement or the negotiation or process of approval of this agreement as the basis for any attack on the Commission's jurisdiction, alleged bias, alleged unfairness, or any other remedies or challenges that may otherwise be available.

**PART VII – DISCLOSURE OF SETTLEMENT AGREEMENT**

70. If the Commission does not approve this Settlement Agreement or does not make the order attached as Schedule “A” to this Settlement Agreement:
- i. this Settlement Agreement and all discussions and negotiations between Staff and CIBC before the settlement hearing takes place will be without prejudice to Staff and CIBC; and
  - ii. Staff and CIBC will each be entitled to all available proceedings, remedies and challenges. Any proceedings, remedies and challenges will not be affected by this Settlement Agreement, or by any discussions or negotiations relating to this agreement.
71. Both parties will keep the terms of the Settlement Agreement confidential until the Commission approves the Settlement Agreement. At that time, the parties will no longer have to maintain confidentiality. If the Commission does not approve the Settlement Agreement, both parties must continue to keep the terms of the Settlement Agreement confidential, unless they agree in writing not to do so or if required by law.

**PART VIII – EXECUTION OF SETTLEMENT AGREEMENT**

72. The parties may sign separate copies of this agreement. Together, these signed copies will form a binding agreement.

73. A fax copy of any signature will be treated as an original signature.

Dated this 16th day of December, 2009

**CANADIAN IMPERIAL BANK  
OF COMMERCE**

**CIBC WORLD MARKETS INC.**

By : “Charles W. Gerber”  
Name: Charles W. Gerber  
Title: Senior Vice President

By: “Robert J. Richardson”  
Name: Robert J. Richardson  
Title: Vice President & Director

**STAFF OF THE ONTARIO  
SECURITIES COMMISSION**

By: “Kathryn Daniels”  
Name: Kathryn Daniels  
Title: Deputy Director, Enforcement

## SCHEDULE "A"

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

-and-

### IN THE MATTER OF CANADIAN IMPERIAL BANK OF COMMERCE AND CIBC WORLD MARKETS INC.

## ORDER

**WHEREAS** on December ●, 2009, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") in relation to Canadian Imperial Bank of Commerce and CIBC World Markets Inc. (together, "CIBC");

**AND WHEREAS** CIBC and Staff of the Commission ("Staff") entered into a settlement agreement dated December 16, 2009 (the "Settlement Agreement") in which they agreed to a settlement of the proceeding commenced by the Notice of Hearing dated December ●, 2009, subject to the approval of the Commission;

**AND UPON** reviewing the Settlement Agreement, and upon hearing submissions from counsel for Staff and CIBC;

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

#### **IT IS ORDERED THAT:**

5. The Settlement Agreement is approved;

6. CIBC shall submit to a review of its compliance practices and procedures in accordance with the Terms of Reference attached at Schedule “B” to the Settlement Agreement;
7. CIBC pay to the Commission the sum of \$21.7 million, to be allocated under section 3.4(2)(b) of the Act to or for the benefit of third parties; and
8. CIBC pay the costs of the Commission’s investigation in the amount of \$300,000.

**DATED** at Toronto this                      day of December, 2009.

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**SCHEDULE “B”  
TERMS OF REFERENCE FOR  
COMPLIANCE REVIEW**

A. Retention of the Consultant

1. The Consultant's reasonable compensation and expenses shall be borne exclusively by Canadian Imperial Bank of Commerce and CIBC World Markets Inc. (the “Respondent”).
2. The agreement with the Consultant (“Agreement”) shall provide that the Consultant examine the policies, procedures and effectiveness of:
  - a. the Respondent’s compliance and oversight functions concerning its trading and sales within the fixed income department;
  - b. any committees or other mechanisms established to review and approve new fixed income securities products and changes to those products;
  - c. the Respondent's training of its staff concerning new fixed income securities products and changes to those products;
  - d. the Respondent’s training of its staff concerning the escalation of issues to compliance and engaging other appropriate processes;
  - e. limitations on disclosure of material non-public information and confidential information as between the Respondents, and the Respondents’ training of their staff regarding same.(collectively, the “Review”).

B. The Consultant's Reporting Obligations

1. The Consultant shall issue a draft report to the Respondent within 3 months of appointment and in that regard will be provided the opportunity to present its report to the Board of Directors of the Respondent.
2. The Consultant shall engage with the Respondent in discussions regarding the draft report with a view to reaching consensus and finalizing the report within 1 month of the delivery of the draft report. If requested by the Consultant, the Consultant will be provided with an opportunity to present its final report to the Board of Directors of the Respondent, and may explain any areas of disagreement with management of the Respondent.
3. The Consultant will deliver the final report to the Respondent.
4. Staff with prior notice may attend at the premises of the Respondent and review the draft and final versions of the Consultant's report.
5. The Consultant's draft and final reports shall include a description of the review performed, the conclusions reached, and the Consultant's recommendations for any changes or improvements to the Respondent's policies and procedures as the Consultant reasonably deems necessary to conform to regulatory requirements.
6. The Respondent will, within 60 days after receipt of the Consultant's report, advise the Staff of the OSC ("OSC Staff") of a timetable to implement the recommendations contained in the report; however, in the event the Respondent disagrees with any of the recommendations, the Respondent shall so advise OSC Staff and provide to the Consultant reasons for such position and, if applicable, any alternative actions, policies or procedures the Respondent intends to adopt.

7. Staff may attend at the premises of the Respondent and may review the Consultant's report with respect to the implementation of the Consultant's recommendations.
8. The Respondent shall certify to the OSC, by certificate executed on its behalf by each of the CEO, the UDP, the CCO and the Chair of the Board of Directors of the Respondent, that the Respondent has implemented those recommendations of the Consultant which it had agreed upon, and will do so promptly following such implementation.
9. For greater certainty, the terms of this compliance review do not limit in any respect the authority of the OSC to undertake, as part of its normal course audit activities, a review of all matters within the scope of the Review or any other aspect of the business of the Respondent.

C. Terms of the Consultant's Retention

1. The appointment of the Consultant shall be made promptly following the approval of the Settlement Agreement, but in any event by no later than January 31, 2010, by mutual agreement between the Respondent and OSC Staff.
2. The Consultant shall have reasonable access to all of the Respondent's books and records and the ability to meet privately with the Respondent's personnel. The Respondent shall instruct and otherwise encourage its officers, directors, and employees to cooperate fully with the review conducted by the Consultant, and inform its officers, directors, and employees that failure to cooperate with the Review may be grounds for disciplinary action.
3. The Consultant shall have the right, as reasonable and necessary in his or her judgment, to retain, at the Respondent's expense, lawyers, accountants, and other persons or firms, other than officers, directors, or employees of the Respondent, to

assist in the discharge of the Consultant's obligations. The Respondent shall pay all reasonable fees and expenses (as reasonably documented) of any persons or firms retained by the Consultant.

4. The Consultant shall make and keep notes of interviews conducted, and keep a copy of documents gathered, in connection with the performance of his or her responsibilities.