

13.1.12 Proposed IDA By-law No. 39, Principal and Agent

INVESTMENT DEALERS ASSOCIATION OF CANADA
PROPOSED BY-LAW NO. 39
PRINCIPAL AND AGENT

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada makes the following amendments to the By-laws, Regulations, ~~Forms and Policies and Forms~~ of the Association:

1. By adding new By-law 39 as follows:

~~39.1~~ 39.1. All By-laws, Regulations, Policies and Forms of the Association 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 By-law “securities related business” means any ~~matter related to securities, 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 commodities commodity futures contracts and commodities commodity futures options) and any other matter related to the handling of client accounts or dealings with clients. 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~~ 39.3. The relationship between the Member and any person conducting securities related business on ~~account behalf~~ of the Member may ~~de-se-as-be~~ that of:

- a) an employee, or
- ~~ii)~~ b) an agent who is not an employee.

but may not be that of an incorporated salesperson.

~~39.4~~ 39.4. Where a Member structures its business relationship with a person conducting securities related business on behalf of the Member using at the principal / agent relationship provided contemplated in paragraph 39.3(b), the Member shall ensure that:

- a) the business relationship is not contrary to the provisions of applicable legislation;
- a)b) ~~any~~ 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;
- b)c) the Member shall be responsible for, and shall supervise the conduct of the agent in respect of the business including

compliance with applicable legislation in the by laws and rules; and the By-laws, Regulations, Policies and Forms of the Association, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Member is subject;

~~e)d)~~ e) the Member shall be liable to ~~third parties (including clients) clients (and other third parties)~~ for the acts and omissions of the agent relating to the Member’s business as if the agent were an employee of the Member;

~~e)e)~~ e) the agent is in compliance with ~~the legislation, by-laws and rules applicable to the agent; applicable legislation and the By-laws, Regulations, Policies and Forms of the Association, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Member is subject;~~

f) the financial institution bond and insurance policies required to be maintained by the Member pursuant to By-law 17 and Regulation 400 cover and relate to the conduct of the agent;

~~f)g)~~ f)g) all books and records prepared and maintained by the agent in respect of ~~such~~ the business of the Member shall be in accordance with By-law 17 and Regulation 200 and all applicable legislation and shall be the property of the Member and shall be available for review by and delivery to the Member at all times and upon termination of the ~~Agreement~~ agreement referred to in paragraph ~~(m);(n);~~

~~g)h)~~ g)h) the Member shall, at all times, have access to the premises of the agent ~~at all times; where the agent conducts securities related business on behalf of the Member ;~~

~~h)i)~~ h)i) in the event of a compliance issue arising in respect of a client or clients, the Member shall be entitled to take control of all future dealings with the client or clients;

~~h)j)~~ h)j) all ~~such~~ securities related business conducted by the agent is in the name of the Member subject to By-law 29.7A;

~~h)k)~~ h)k) the agent shall not conduct securities related business with or ~~in respect on~~

behalf of any person other than the Member;

k)l) if the agent is engaged in or carrying on any business activity other than business conducted on behalf of the 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 (m)(n) shall be monitored and enforced directly by the Member and not by or through any other person including another employer or principal of the agent;

l)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 Member shall not prevent or impair the ability of the Member or the corporation/Association from monitoring and enforcing compliance by the agent with the terms of the agent referred to in paragraph (m) or the by laws and rules; and

m) ~~the Member and the agent shall enter into an agreement in writing which shall be provided to the corporation prior to engaging in the agency relationship and shall contain terms which include the provision of paragraph (a) to (l), inclusive, and which do not include provisions which are inconsistent with paragraph (a) to (l), and shall provide the corporation with a certificate by an officer or director of such Member and upon request by the corporation shall provide an opinion of counsel confirming the agreement is in compliance with such provision;~~

n) ~~the agreement referred to in paragraph (m) shall be in a form satisfactory to (n) or the By-laws, Regulations, Policies and Forms of the Association; and~~

o)n) the Member and the agent shall enter into an agreement in writing which shall be provided to the Association 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 Association with evidence satisfactory to the Association that the Member has taken appropriate action to ensure that the treatment of its agents for tax and other purposes as independent

~~contractors is correct. In the event that the independent contractor status is disallowed for any a certificate by an officer or director of such Member and upon request by the Association shall provide an opinion of counsel confirming the agreement is in compliance with such provisions; purpose, the dealer and its agents shall bear all responsibility."~~

o) the Member and the Association shall enter into an agreement in writing prior to the 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 Member's responsibility for and supervision of the agent to ensure the agent's compliance with applicable legislation and the By-laws, Regulations, Policies and Forms of the Association, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Member is subject and relate to the Member's liability to clients (and other third parties) for the acts and omissions of the agent relating to the Member's business as if the agent were an employee of the Member;

p) the agreements referred to in paragraphs (n) and (o) shall be in a form satisfactory to the Association; and

q) the 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 Association of such compliance."

PASSED AND ENACTED BY THE Board of Directors this 17th day of October, 2001, to be effective on a date to be determined by Association Staff.