The Ontario Securities Commission

CSA STAFF NOTICE AND REQUEST FOR COMMENT

CSA Staff Notice and Request for Comment 25-304
Application for Recognition of New Self-Regulatory Organization
and
CSA Staff Notice and Request for Comment 25-305
Application for Approval of the New Investor Protection Fund

Supplement to the OSC Bulletin

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On Friday, April 29, 2022, the Securities Commission Act, 2021 (SCA), came into force by proclamation of the Lieutenant Governor of Ontario. The SCA's proclamation implemented key structural and governance changes to the OSC: the separation of the OSC Chair and Chief Executive Officer roles, and the creation of a new Capital Markets Tribunal. These new structural and governance changes are now reflected in the Bulletin, with one section to report and record the activities of the Capital Markets Tribunal and one section to report and record the activities of the Ontario Securities Commission: www.capitalmarketstribunal.ca/en/resources.

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CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA STAFF NOTICE AND REQUEST FOR COMMENT 25-304
APPLICATION FOR RECOGNITION OF NEW SELF-REGULATORY ORGANIZATION

May 12, 2022

1. Background

Following extensive public consultations, the Canadian Securities Administrators (**CSA**) published CSA Position Paper 25-404 – *New Self-Regulatory Organization Framework* (**CSA Position Paper**), recommending amalgamation of the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**) into a single self-regulatory organization (**SRO**), known at this time as New SRO, in order to provide a framework for efficient and effective regulation in the public interest, including an enhanced governance structure, improved investor protection and education, and strengthened industry proficiency. The CSA also recommended to amalgamate the two current investor protection funds, the Canadian Investor Protection Fund (**CIPF**) and the MFDA Investor Protection Corporation (**MFDA IPC**), into a single protection fund which will be independent from the New SRO. Amalgamation of the protection funds and related request for comment are addressed in a separate notice (CSA Staff Notice and Request for Comment 25-305).

IIROC and the MFDA have been working collaboratively to amalgamate their regulatory activities into the New SRO. IIROC and the MFDA have applied on behalf of the New SRO for its recognition as an SRO by the securities regulators in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon (**Recognizing Regulators**).

The Recognizing Regulators are publishing for comment the following documents:

- **Appendix A** – Application for recognition of the New SRO (**Application**), which includes the below schedules:

  Schedule 1 – Draft By-Law Number 1 of the New SRO

  Schedule 2 – Draft Interim Rules of the New SRO[1]

  i. Introduction

  ii. Investment Dealer and Partially Consolidated Rules

  iii. Mutual Fund Dealer Rules

  iv. Mutual Fund Dealer Form 1

  v. Universal Market Integrity Rules

  Schedule 3 – Draft Terms of Reference for New SRO's Investor Advisory Panel[2]

[1] Please refer to FAQs on Interim Rules at IIROC website (https://www.iiroc.ca/new-sro-interim-rules-frequently-asked-questions) or MFDA website (https://mfda.ca/new-sro-rules-faq/).

[2] Please refer to FAQs on New SRO IAP at IIROC website (https://www.iiroc.ca/new-sro-investor-advisory-panel-questions-answers) or MFDA website (https://mfda.ca/new-iap-faq/).

Schedule 4 – Québec Requirements (unofficial translation)

- **Appendix B** – Draft Recognition Order for the New SRO setting out the terms and conditions of recognition as well as reporting requirements for the New SRO. Following the comment process and resolution of any issues, each Recognizing Regulator will issue a substantially similar order recognizing the New SRO.
- **Appendix C** – Draft MOU among the Recognizing Regulators regarding oversight of the New SRO. The MOU includes detailed protocols for: Recognizing Regulators' non-objection process for certain changes to the New SRO governance structures; processes for the review and approval of the New SRO rules, policies and other similar instruments; and procedures for performance of periodic oversight reviews of the New SRO.

The above documents reflect the recommendations from the CSA Position Paper and provide the basis for an enhanced regulatory framework, which will include the following key features:

- Clarifying and reinforcing New SRO's public interest mandate;
- Improving New SRO's governance structure by ensuring the board of directors and board committees are composed of a majority of independent directors and independent chairs, and the governance committee is composed of all independent directors;
- Articulating clear criteria for independent directors;
- Ensuring New SRO's appropriate cooperation with the Recognizing Regulators, including alignment of strategic and business plans, annual statements of priorities and budgets;
- Transforming the current IIROC District Councils into Regional Councils to be tasked with an advisory role to staff of the New SRO on regional regulatory policy matters;
- Establishing formal investor engagement mechanisms such as an investor advisory panel and investor office and ensuring investors are represented on appropriate advisory committees; and
- Improving access to advice by providing an opportunity for introducing / carrying broker arrangements between mutual fund dealers and investment dealers

The Autorité des marchés financiers (**AMF**) is publishing simultaneously for comments its proposed transition plan for mutual fund dealers registered in Québec (**Québec MFDs**) and their registered individuals. Following the comment period, any required amendments with respect to the Québec MFDs and registered individuals will be incorporated into the Interim Rules of the New SRO to be effective upon the close of the amalgamation.

2. Recognition of the New SRO

The Application, published below, outlines how the New SRO will meet the criteria of recognition outlined in Schedule 1 to the Draft Recognition Order for the New SRO attached below in Appendix B.

3. Comment Process

We are seeking comments on all aspects of the New SRO Application and related documents. Please submit your written comments on or before June 27, 2022. If you are not sending your written representations by email, please send us an electronic file containing submissions provided (in Microsoft Word format).

Please address your submission to all of the CSA as follows:

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
Financial and Consumer Services Commission of New Brunswick
Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Nunavut
Ontario Securities Commission
Prince Edward Island Office of the Superintendent of Securities
Financial and Consumer Affairs Authority of Saskatchewan
Office of the Yukon Superintendent of Securities

Please send your written representations only to the addresses below. Your written representations will be forwarded to the other CSA member jurisdictions. Your comments relating to the schedules will also be shared with IIROC and the MFDA.

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Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
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Email: consultation-en-cours@lautorite.qc.ca

Certain CSA jurisdictions require publication of the comments received during the comment period. All written comments received will be posted on the websites of each of the ASC at www.albertasecurities.com, the AMF at www.lautorite.qc.ca and the OSC at www.osc.gov.on.ca. Please do not include personal information directly in written representations to be published and state on whose behalf you are making the submission.

Questions

If you have any comments or questions, please contact any of the CSA staff listed below.

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APPENDIX A

APPLICATION FOR RECOGNITION OF THE NEW SRO

To: Members of the Canadian Securities Administrators

Introduction

This letter sets out the joint application of the Investment Industry Regulatory Organization of Canada ("**IIROC**") and the Mutual Fund Dealers Association of Canada (the "**MFDA**", and together, the "**SROs**") to the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of the Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Ontario Securities Commission; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; and Office of the Yukon Superintendent of Securities, which are collectively the "**Recognizing Regulators**" or members of the Canadian Securities Administrators (the "**CSA**"), to recognize the entity resulting from the amalgamation of IIROC and MFDA (the "**New SRO**") as a self-regulatory organization under applicable securities legislation (the "**Application**"). The New SRO will also be a regulation service provider ("**RSP**") under National Instrument 23-101 *Trading Rules* ("**NI 23-101**"), and an Information Processor (as defined under NI 21-101) for government and corporate debt securities, under applicable securities laws and NI 21-101.

Background

Subject to recognition by the Recognizing Regulators, and approval of the IIROC board of directors, the MFDA board of directors, and the members of the SROs, the SROs propose to consolidate their regulatory activities in the New SRO, through a legal amalgamation (the "**Amalgamation**"). The SROs will bring their memberships, assets, liabilities and legal and regulatory responsibilities, including memoranda of understanding, to the New SRO as a result of the Amalgamation. The main objective of creating the New SRO is to develop a regulatory framework that has a clear public interest mandate and fosters fair and efficient capital markets, by focusing on investor protection to promote public confidence and accommodating innovation and change. The Recognition Order will become effective upon the Amalgamation, at which time each of IIROC and the MFDA's existing recognition orders will be superseded and will no longer have any force or effect.

The New SRO will be created in a manner consistent with the CSA Position Paper 25-404 – *New Self-Regulation Organization Framework* (the "**Position Paper**", available in English and in French) and will reflect the CSA's vision to provide enhanced regulation of the investment industry. The terms of the Recognition Order being sought for the New SRO reflect the principles and approach of the Position Paper.

IIROC members will vote on the proposed amalgamation at a special meeting of members. MFDA members will vote on the proposed amalgamation at a special meeting of members.

Corporate Governance

The New SRO will be a non-share capital corporation under the *Canada Not-for profit Corporations Act* ("**CNCA**"). Its mandate is to act in the public interest by, without limitation:

(a) protecting investors from unfair, improper, or fraudulent practices by its Members (as defined below);

(b) fostering fair and efficient capital markets and promoting market integrity;

(c) fostering public confidence in capital markets;

(d) facilitating investor education;

(e) administering a fair, consistent and proportionate continuing education program for all Dealer Members and applicable approved persons;

(f) accommodating innovation and ensuring flexibility and responsiveness to the future needs of the evolving capital markets, without compromising investor protection;

(g) providing effective market surveillance;

(h) fostering efficient and effective cooperation and coordination with the Recognizing Regulators to ensure regulatory alignment;

(i) facilitating access to advice and products for investors of different demographics;

(j) recognizing and incorporating regional considerations and interests from across Canada;

(k) facilitating meaningful consultation and input from all types of Members and ensuring that investor perspectives are factored into the development and implementation of regulatory policies;

(l) administering robust, compliance, enforcement and complaint handling and resolution processes;

(m) contributing to financial stability, under the direction of the Recognizing Regulators; and

(n) administering effective governance and accountability to all stakeholders and preventing regulatory capture.

A draft of the initial By-law No. 1 of the New SRO ("**By-Law No. 1**") is attached hereto as Schedule 1.

The New SRO will initially have two classes of members, Dealer Members and Marketplace Members (collectively, "**Members**"), each class having equal voting rights and voting together.

Dealer Members of the New SRO will be investment dealers and/or mutual fund dealers registered under applicable Canadian securities legislation and accepted for membership by the Board. All current IIROC Dealer Members and MFDA Members will become Dealer Members of the New SRO automatically pursuant to the terms of the Amalgamation.

A Marketplace Member of the New SRO will be a marketplace that is:

(a) a recognized exchange or a commodity futures exchange registered in a jurisdiction of Canada;

(b) a recognized quotation and trade reporting system; or

(c) a person or company not included in clause (a) or (b) above that facilitates the trading of securities or derivatives in a jurisdiction of Canada; and

(i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities or derivatives;

(ii) brings together the orders for securities or derivatives of multiple buyers and sellers; and

(iii) uses established non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade.

All current Marketplace Members of IIROC will become Marketplace Members of the New SRO automatically pursuant to the terms of the Amalgamation.

A Member may qualify as both a Dealer Member and Marketplace Member but shall only be entitled to one vote on any vote by Members, unless a vote of members by class is required.

New SRO Board

By-law No. 1 will establish a 15-member board of directors of the New SRO (the "**Board**"), comprised of the President and CEO of the New SRO (the "**CEO**"), six individuals representing the Members, and eight Independent Directors (as defined below). The roles of CEO and chair of the Board will be occupied by separate persons, and the chair of the Board must be an Independent Director. Pursuant to By-law No. 1, directors of the New SRO (each, a "**Director**") will serve for staggered two-year terms (with 7 or 8 elected each year), for a maximum of four consecutive terms (not including stub terms), however there will be no term limit for the CEO. The Board will develop, maintain and comply with diversity and inclusion policies aimed at increasing underrepresented groups on the Board.

The term "Independent Director" means a Director who has no direct or indirect material relationship with the New SRO or a member of the New SRO. The full definition of "Independent Director" is set out in By-law No. 1.

The New SRO Board Committees

The Board will initially appoint four standing committees: the Governance Committee, the Finance, Audit and Risk Committee, the Human Resources and Pension Committee and the Appointments Committee.

The Governance Committee (the composition of which is described below), in accordance with By-law No. 1, and considering the overall composition of the Board and its representation of the Canadian capital markets, will recommend as nominees for election as Directors those individuals that it considers qualified and desirable.

The Governance Committee will consider all relevant factors in nominating directors to seek to ensure that the composition of the Board: (a) complies with the requirements of By-Law No. 1 and the Recognition Order, (b) provides fair, meaningful and diverse representation, (c) reflects the regional diversity of the New SRO's stakeholders, (d) otherwise reflects, in the judgement of the Governance Committee, the appropriate balance of interests and perspectives of the Members and stakeholders, (e) consists of, in the judgement of the Governance Committee, a reasonable number of Directors with relevant experience with investor protection issues and (f) addresses, in the judgement of the Governance Committee, actual, potential or perceived conflicts of interest arising from any relationship between a Member and a Director. The Governance Committee will consider, for each potential Director:

- appropriate regional representation across Canada;
- appropriate mix of skills, competencies, individual diversity and characteristics to contribute to a well-functioning Board able to service its mandate;
- the business interests of the candidate or entities with which the candidate is associated;
- the extent of overlap and/or integration of the boards and/or management between members and entities with which the candidate is associated;
- in the case of Independent Directors, whether the candidate would have met the test to be an Independent Director; and
- the appropriate resolution of any actual, potential or perceived conflicts of interest.

In addition, and in respect of Board nominees, the Governance Committee will focus on qualities such as integrity, business judgement and acumen, capital markets expertise and other relevant business, professional or board expertise, as well as ensuring that nominees are appropriate in recognition of the status of the New SRO as a self-regulatory organization in the various Canadian jurisdictions.

The Governance Committee will recommend, and the Board may appoint, directors to fill vacancies that arise between annual Members' meetings, ensuring that any such appointees maintain the Board composition specified by By-Law No. 1.

The initial Directors and chair of the Board (the "**Chair**"), proposed by the Special Joint Committee formed by IIROC, the MFDA and the CSA, will be described in the joint management information circular of IIROC and the MFDA.

The Governance Committee will periodically review the efficacy of the New SRO's governance practices.

The mandate of the Governance Committee will be to identify and recommend to the Board qualified nominees for election to the Board, as described above. The Governance Committee will be composed of not less than five directors, and may include the Chair of the Board. All of the members of the Governance Committee will be Independent Directors.

The mandate of the Finance, Audit and Risk Committee (the "**FAR Committee**") will be to assist the Board in its oversight of the integrity and effectiveness of the New SRO's accounting and financial reporting processes; the qualifications, independence and performance of the New SRO's external and internal auditors; the New SRO's processes relating to its internal control systems and security of information; and the New SRO's policies and processes for risk management. The FAR Committee will be composed of at least five Directors, a majority of which (including the chair of such committee) will be Independent (as defined by By-Law No. 1).

The mandate of the Human Resources and Pension Committee (the "**HR Committee**") will be to ensure that the New SRO can attract and retain personnel with the appropriate qualifications and experience to achieve its mandate, goals and strategic objectives by offering compensation, pension and benefit plans that are competitive, motivating and rewarding and assisting the Board in its oversight of the New SRO's human resources policies and procedures, benefits and pension plans and with ensuring regulatory compliance thereof. The HR Committee will be composed of at least five Directors, a majority of which (including the chair of such committee) will be Independent.

The mandate of the Appointments Committee (the "**Appointments Committee**") will be to appoint members to the New SRO hearing committees (the "**District Hearing Committees**"). Members of District Hearing Committees will sit as hearing panel members in the Districts (as defined in By-Law No. 1). The Appointments Committee will be composed of at least seven Directors, including the President, and a majority of which (including the chair of such committee) will be Independent. The Appointments Committee will always be comprised of an uneven number of Directors.

National Council and Regional Councils

The New SRO will have a National Council and seven Regional Councils comprised of Dealer Members from each Region (as defined in By-Law No. 1).

The Regional Councils will have an advisory role and provide regional perspectives and recommendations on regulatory policy matters to staff of the New SRO. In addition, the Regional Councils will advise the New SRO on industry trends and issues to ensure that the New SRO is proactive in dealing with emerging issues.

The National Council will be comprised of the Chairs and Vice-Chairs of the Regional Councils and act as a forum for cooperation and consultation among the Regional Councils and provide recommendations on regulatory policy matters to the CEO and the Chair.

Functions currently residing with IIROC District Councils relating to hearing committee nominations, and MFDA Regional Councils with respect to members sitting as hearing panel members, will not reside within the new council structure, as the Appointments Committee will have responsibility for appointing members to District Hearing Committees.

Advisory Committees

Advisory committees will provide advice to staff of the New SRO and report to the CEO. Each will be asked to conduct an annual "self-assessment" and the Board will conduct a biennial review of the overall advisory committee structure, to ensure that such committees are relevant and providing meaningful advice in a timely and effective manner.

The other existing advisory committees of the SROs will continue after the completion of the amalgamation on an interim basis.[1] The Board will evaluate and make changes to the advisory committee structure and/or mandates to ensure a consolidated approach.

Investor Engagement

A separate investor office within the New SRO that is prominently positioned, easily identifiable and accessible to investors will be established to support rule development and provide investor education or outreach with the goal of improving investor protection (the "**Investor Office**").

The New SRO will also have an investor advisory panel to provide independent research or input on regulatory and/or public interest matters (the "**Investor Advisory Panel**"). The Board will be required to meet with the Investor Advisory Panel at least annually.

The New SRO will create a mechanism to formally engage directly with investor groups (on an advisory basis) to obtain broader input on the design and implementation of applicable policy proposals. The New SRO will also maintain a whistleblower program.

A draft of the terms of reference of the New SRO's Investor Advisory Panel is attached hereto as Schedule 3.

Member Voting Rights

In respect of matters to be voted upon by Members (including the election of Directors), all Members will vote together and be entitled to one vote per Member. In accordance with the CNCA, certain matters such as amendments to the New SRO's articles of amalgamation or by-laws, including creating a new class of members, and certain fundamental transactions such as an amalgamation or plan of arrangement of New SRO or disposition of all or substantially all of its assets, will require approval by a two-thirds vote of the Members. A vote of members by class may be required for certain amendments to the New SRO's articles of amalgamation or by-laws in accordance with the CNCA, but will not be required to create a new class of members.

Conflicts of Interest

The governance structure, the rule-making and policy development process, the hearing committee process, and the disciplinary panel structure will all reflect the New SRO's efforts to balance its public interest mandate and the views of its members and persons subject to its jurisdiction ("**Regulated Persons**") as a self-regulatory organization.

The New SRO will have policies and procedures managing actual, potential or perceived conflicts of interest of its officers, employees and members of its disciplinary panels, as reflected in the Employee Code of Conduct (the "**Employee Code**"). The New SRO will undertake a review of each division where regulatory decisions are made by staff and will identify specific risk areas associated with conflicts of interest. The Employee Code will contain policies dealing with conflicts of interest in those areas where employees are required to make decisions on behalf of the New SRO as part of their regulatory responsibilities. In addition, internal policies and procedures of each division where employees exercise decision-making authority will contain more specific guidelines on how to comply with the Employee Code. Generally, these deal with disclosure of any conflicts with Regulated Persons and the allocation of responsibilities among staff that minimizes potential conflicts arising. The Employee Code will be approved by the Board and acknowledged by officers and employees initially and annually. The policies and procedures of the New SRO will require that the Employee Code be reviewed at least annually to ensure that it continues to appropriately meet its objectives.

[1] Existing advisory committees of the MFDA and IIROC can be found on their respective websites: IIROC Advisory Committees and the MFDA Policy Advisory Committee.

The New SRO will also have a written policy managing conflicts of interest of members of its Board, which will be acknowledged by directors initially and on an annual basis. This policy will be reviewed periodically to ensure that it continues to appropriately meet its objectives and complies with the CNCA.

Fees

The New SRO will continue the project commenced during the amalgamation planning process to develop an appropriate fee model for the New SRO following the amalgamation. Development of a new fee model will be a complex exercise and will therefore require expert professional advice. Implementation of any such fee model will involve consultation with Members and other stakeholders and will be subject to a public comment process and approval by the Recognizing Regulators.

The following principles will be applied in a fee model adopted by the New SRO:

- All fees imposed by the New SRO must be equitably allocated and be proportionate to Members' activities.
- Fees must not have the effect of creating unreasonable barriers to access, especially for small and independent Members.
- The process for setting fees must be fair and transparent.
- The New SRO must operate on a cost-recovery basis.

Upon the creation of the New SRO, and on an interim basis, the existing fee structures and models of IIROC (with respect to current IIROC Members) and the MFDA (with respect to current MFDA Members), will initially be maintained and administered by the New SRO, with necessary modifications, with Members paying fees under the relevant fee structures and models. Both fee models are intended to be neutral and are based on cost recovery.

Access

The existing criteria for access to membership and the provision of regulation services will be preserved in the New SRO, as initially will the processes for obtaining such access. The New SRO will have reasonable written criteria that permit all persons or companies that satisfy the criteria to access the New SRO's regulatory services. The access criteria and the process for obtaining access will be fair and transparent. Any changes to the criteria or process for obtaining access will be developed and implemented in a fair and transparent manner and subject to Board approval as well as approval by the Recognizing Regulators.

Pursuant to the Amalgamation, current members of the MFDA or IIROC will be Members of the New SRO and no additional acceptance or approval requirements will be required.

Financial Viability

The New SRO will be a non-share capital, membership-based, not-for-profit corporation. As with IIROC and the MFDA (as well as many of the Recognizing Regulators), its financial model will be based on the collection of fees from Members in order to recover the costs incurred in its regulatory activities.

Upon completion of the Amalgamation, the New SRO will own all of the assets (and will assume all of the liabilities) of the MFDA and IIROC, including the balances in the MFDA Discretionary Fund and the IIROC Restricted Fund (which will be transferred to the New SRO Restricted Fund and used solely for prescribed purposes as described in the Recognition Order). The costs relating to the amalgamation of IIROC and the MFDA and start-up of the New SRO are being borne by IIROC and the MFDA. In accordance with the draft Recognition Order, the New SRO must operate on a cost recovery basis and seek authorization for any increase in fees for Dealer Members that are not registered as both investment dealers and mutual fund dealers related to the costs of creating the New SRO.

Capacity to Perform Regulation Functions

Recognition Order

The independence, mandate and obligations of the New SRO will be prescribed as terms and conditions of its Recognition Order and Delegation Rulings. As with IIROC and the MFDA, the New SRO must seek input from the Recognizing Regulators before finalizing its strategic and business plans, annual statements of priorities and budgets. The Recognizing Regulators will conduct an annual risk-based oversight review, which will enable the Recognizing Regulators to ensure that the New SRO acts in a manner consistent with the public interest in carrying out its mandate as a self-regulatory organization.

Regulation Services

The New SRO will seek to protect investors, foster investor confidence and enhance the fairness and efficiency of Canadian capital markets through the provision of effective self-regulation of Members, their representatives and other persons subject to the New SRO's jurisdiction. As a neutral, cost-effective and responsive self-regulatory organization, the New SRO will not unreasonably discriminate between Members. The New SRO will assume all of the regulatory responsibilities and perform, on a consolidated basis, all of the regulatory services currently being performed by IIROC and the MFDA.

Under the applicable National Instruments, orders granted under the National Instruments by certain securities commissions, and its regulation service agreements with Marketplace Members, IIROC applies the Universal Market Integrity Rules and Policies ("**UMIR**") to Marketplace Members and Dealer Members. Subscribers of a Marketplace Member alternative trading system ("**ATS**") that are not Dealer Members are subject to UMIR and the jurisdiction of IIROC, as IIROC's agreements with Marketplace Member ATSs require this. Upon the Amalgamation, these Instruments, orders and regulation service agreements will apply to the New SRO by operation of law.

Transitional Jurisdiction

The New SRO will assume jurisdiction over the conduct of Dealer Members and over the trading conduct of all members, users and subscribers of Marketplace Members, including for investigations or enforcement actions in progress at the time the New SRO commences its regulatory activities.

Capacity and Integrity of Systems

The New SRO will perform its regulation functions using the information technology systems currently used by IIROC and the MFDA, including those systems currently provided to IIROC and the MFDA by various external service providers. Relevant existing service agreements between IIROC and the MFDA and their respective service providers will continue with New SRO.

The New SRO will continue to perform its market surveillance regulation function using the systems currently used by IIROC.

Capacity Planning and Management

The New SRO will ensure that information technology systems capacity planning is undertaken on a regular basis and system upgrades and storage are managed carefully. With respect to the market surveillance regulation functions, New SRO will continue the IIROC practice of regularly forecasting its expected data volumes.

Development and Testing Methodologies

The New SRO will use development and testing cycles that do not interfere with its operating systems. The New SRO will regularly review and update its development and testing methodologies, either internally or through its service providers.

System Vulnerability

The level of exposure to threats and system vulnerability for the New SRO will vary based on whether the system is critical or not. Sensitive regulatory data will be kept secure and confidential, within the organization and in relation to service providers. The New SRO will continue the SROs' practice and ensure that relevant services providers implement appropriate confidentiality and firewall provisions.

Contingency Planning, Disaster Recovery & Business Continuity Plans

IIROC and the MFDA have written contingency, business continuity and disaster recovery plans, which include specific criteria for all critical system applications. Upon the Amalgamation, the New SRO will continue to operate under these or new consolidated New SRO plans. As with IIROC, all New SRO market surveillance systems will have full redundancy with two live sites running in parallel and personnel backup in multiple offices of the New SRO.

Rules

Initially, it is the intention of the New SRO to adopt and administer interim rules which will incorporate the pre-amalgamation regulatory requirements contained in the rules and policies of IIROC and the by-laws, rules and policies of the MFDA (collectively, the "**Interim Rules**"). The Interim Rules will include: (i) the Investment Dealer and Partially Consolidated Rules, (ii) the UMIR and (iii) the Mutual Fund Dealer Rules.

The Interim Rules, which will be subject to public consideration and comment, will also include new Rule proposals to: (i) amend the current IIROC proficiency requirements to permit firms registered as both an investment dealer and a mutual fund dealer to

employ mutual funds only licensed individuals without having to upgrade their proficiencies to those required of a securities licensed individual and (ii) permit introducing/carrying broker arrangements between mutual fund dealers and investment dealers. The New SRO will review the Mutual Fund Dealer Rules, Investment Dealer and Partially Consolidated Rules and the UMIR in order to propose changes to harmonize rules, policies and related processes. A draft of the Interim Rules is attached hereto as Schedule 2.

Post-amalgamation proposals to replace or amend the Interim Rules would be submitted to the Recognizing Regulators for approval in accordance with the procedures established in the Memorandum of Understanding among Recognizing Regulators regarding oversight of New SRO, on terms and conditions reflective of the Position Paper, between the New SRO, as a self-regulatory organization and RSP, and the applicable Recognizing Regulators. The New SRO will, subject to the terms and conditions of the Recognition Order and the jurisdiction and oversight of the relevant Recognizing Regulators, establish rules, regulations or policies that promote the public interest, and are designed to:

- ensure compliance with applicable securities legislation,
- prevent fraudulent and manipulative acts and practices,
- promote just and equitable principles of trade and the duty of Dealer Members to act fairly, honestly and in good faith with their clients,
- promote Member education,
- foster cooperation and coordination with entities engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities and derivatives,
- foster fair, equitable and ethical business standards and practices,
- promote access to advice in different geographic zones, including the servicing of clients in both urban and rural settings,
- allow Members to develop and make use of technological advancements to achieve greater efficiencies and productivity, while mitigating any risks to the investors and the public,
- promote the protection of investors,
- are scalable and proportionate to different types and sizes of Dealer Member firms and their respective business models, and
- provide for appropriate discipline of those whose conduct it regulates.

The Interim Rules, and any replacement of thereof, will not unreasonably discriminate among those subject to its regulation nor impose any unnecessary burden or constraint on competition or innovation. The Interim Rules and the administration thereof will not impose costs or restrictions on the activities of market participants that are disproportionate or contrary to the public interest.

Continuing Education

The pre-amalgamation MFDA and IIROC continuing education requirements will continue to apply to Dealer Members of the New SRO who are registered as mutual fund dealers and Dealer Members of the New SRO who are registered as investment dealers, respectively. The New SRO will work towards the development and implementation of a harmonized continuing education program for all Dealer Members that is fair, consistent and proportionate.

Dealer Members of the New SRO registered as mutual fund dealers will continue to be exempted from the New SRO's continuing education requirements for their activities in Québec, considering that the Chambre de la sécurité financière (CSF) is responsible for regulating the continuing education of mutual fund dealing representatives in Québec.

Financial Statements

The New SRO will provide to the Recognizing Regulators its financial statements and other financial reporting in accordance with the requirements of its Recognition Order, including audited annual financial statements.

Discipline Process

The New SRO's rules for the discipline of persons or companies subject to its regulation will be based on those of the MFDA and IIROC. The process for disciplining Members and others will be fair, transparent and will provide for due process. Any reviewable

decision by the New SRO, including any disciplinary or enforcement decision, will be reviewable by the Recognizing Regulators having appropriate jurisdiction.

Québec Requirements

The New SRO will comply fully with section 69 of the Act respecting the regulation of the financial sector, CQLR c E-6.1.: the constating documents, by-laws and rules of the New SRO will provide that the power to make decisions relating to the supervision of the Corporation's activities in Québec will be exercised mainly by persons residing in Québec.

Complaints and inquiries relating to individuals and Member firms in Québec received by the New SRO will be referred to staff of the New SRO in Montréal for case assessment, or will be transferred, as appropriate, to the Autorité des marchés financiers or to the Chambre de la sécurité financière, according to the terms of cooperative agreements.

The members of the hearing panels of the New SRO in respect of matters involving Québec residents will be Québec residents.

Firms registered as mutual fund dealers in Québec (Québec MFDs) will join the New SRO as members. However, they will benefit from a transition period for their activities in Québec.

During this transition period, the New SRO will meet the requirements provided in Schedule 4. Québec MFDs will participate as members in the consultations and committees that will be constituted by the New SRO.

Fees payable by Québec MFDs to the New SRO shall be prorated to the services offered to them by New SRO.

Information Sharing and Regulatory Cooperation

The New SRO will provide all necessary notices and information to each Recognizing Regulator except as may be otherwise indicated in an applicable recognition order or directions provided by such Recognizing Regulator.

As specified in the draft Recognition Order, the New SRO will, subject to applicable law, share information with the Recognizing Regulators, exchanges, SROs, clearing agencies, financial intelligence or law enforcement agencies or authorities, banking and financial services authorities and investor protection or compensation funds. The New SRO will continue to abide by the terms of the information sharing agreements previously entered into by IIROC and the MFDA.

Sincerely,

"Andrew J. Kriegler" ***"Mark T. Gordon"***

SCHEDULE 1

DRAFT BY-LAW NUMBER 1 OF THE NEW SRO

BY-LAW NO. 1
being a General By-law of
[New SRO]
(hereinafter referred to as the **"Corporation"**)

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ARTICLE 1 INTERPRETATION

Section 1.1 Definitions

In this By-law, unless the context otherwise specifies or requires:

"**Act**" means the *Canada Not-for-profit Corporations Act*, S.C. 2009, c. C-23 and the regulations thereto, as from time to time amended and every statute that may be substituted therefor and, in the case of such substitution, any references in the By-laws to provisions of the Act shall be read as references to the substituted provisions therefor in the new statute or statutes.

"**affiliated entity**" has the meaning ascribed to it in subsection 1.3(1) of National Instrument 52-110 *Audit Committees*.

"**Amalgamation**" means the amalgamation of IIROC and the MFDA to form the Corporation pursuant to section 204 of the Act.

"**Articles**" means the articles of amalgamation of the Corporation and includes any articles of amendment.

"**Associate**", where used to indicate a relationship with any person, means:

(a) any company of which such person beneficially owns, directly or indirectly, voting securities carrying more than ten percent (10%) of the voting rights attached to all voting securities of the company for the time being outstanding;

(b) a partner of that person;

(c) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity;

(d) any relative of that person who resides in the same home as that person;

(e) any person who resides in the same home as the person and to whom that person is married or with whom that person is living in a conjugal relationship outside of marriage; or

(f) any relative of a person mentioned in clause (e) above, who has the same home as that person.

"**auditor**" of the Corporation means a public accountant, as defined in the Act, appointed for the Corporation.

"**By-laws**" means this By-law and any other by-law of the Corporation from time to time in force and effect.

"**Board**" means the Board of Directors of the Corporation.

"**Chair**" means the Independent Director elected by the Board to act as its chair.

"**control**" has the meaning ascribed to it in section 1.4 of National Instrument 45-106 *Prospectus Exemptions*.

"**Corporation**" means **[New SRO]** and, for the purposes of Section 1.3, includes either of its predecessors and any affiliated entity.

"**Dealer Member**" means a Member that is registered as an investment dealer or a mutual fund dealer in accordance with securities legislation.

"**Director**" means a member of the Board.

"**District**" means a geographic area in Canada designated as a district of the Corporation pursuant to Section 11.1.

"District Hearing Committee" means each of the hearing committees created in accordance with ARTICLE 11.

"**executive officer**" has the meaning ascribed to it in section 1.1 of National Instrument 52-110 *Audit Committees*.

"**Form**" means a form prescribed or provided for by the By-Laws or the Rules.

"**IIROC**" means the Investment Industry Regulatory Organization of Canada, a predecessor corporation to the Corporation.

"**immediate family member**" has the meaning ascribed to it in section 1.1 of National Instrument 52-110 *Audit Committees*.

"**Indemnified Party**" means each Protected Party and any other person who has undertaken or is about to undertake any liability on behalf of the Corporation, or any entity controlled by it, which the Corporation determines to indemnify in respect of such liability and their respective heirs, executors, administrators, and estates and effects, respectively.

"**Independent Director**" means a Director who is Independent within the meaning of Section 1.3.

"**Industry Agreement**" means the agreement dated ■, 2022 made between the Corporation and the IPF, as the same may be amended or replaced from time to time.

"**Information Processor Recognition Orders**" means the recognition order obtained from the Autorité des marchés financiers and the designation orders and undertakings governing the Corporation's designation as information processor for government and corporate debt securities.

"**IPF**" means the ■.

"**Marketplace**" means:

(a) a recognized exchange or a commodity futures exchange registered in a jurisdiction of Canada;

(b) a recognized quotation and trade reporting system; or

(c) a person or company not included in clause (a) or (b) above that facilitates the trading of securities or derivatives in a jurisdiction of Canada; and

(i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities or derivatives;

(ii) brings together the orders for securities or derivatives of multiple buyers and sellers; and

(iii) uses established non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade.

"**Marketplace Member**" means a Member that is a Marketplace.

"**Member**" means a person admitted to membership in the Corporation or who was a member of IIROC or the MFDA at the time of the Amalgamation, and who has not ceased, resigned or terminated membership in the Corporation in accordance with the provisions of ARTICLE 3.

"**MFDA**" means the Mutual Fund Dealers Association of Canada, a predecessor corporation to the Corporation.

"**National Council**" means the national council created in accordance with ARTICLE 10.

"**Non-Independent Director**" means a Director who is not an Independent Director.

"**President**" means the president and chief executive officer of the Corporation appointed in accordance with Section 8.3.

"**Protected Party**" means every current and former Director, officer, employee, committee member (whether a committee of the Board or other committee of the Corporation), and his or her heirs, executors, administrators, estate and effects or any other person acting on behalf of the Corporation.

"**Recognition Orders**" means the recognition orders for the Corporation issued and approved by each securities regulatory authority, recognizing the Corporation as a self-regulatory organization.

"**Region**" means a geographic area in Canada designated as a region of the Corporation pursuant to Section 10.1.

"**Regional Council**" means each of those councils created in accordance with ARTICLE 10.

"**Regulated Persons**" means persons who are or were formerly (i) Dealer Members, including members of the Corporation's predecessors, (ii) members, users or subscribers of or to, or other entities that are allowed to trade directly on, Marketplaces for which the Corporation is the regulation services provider, (iii) the respective representatives as designated in the Rules of any of the foregoing, and (iv) other persons subject to the jurisdiction of the Corporation.

"**Restricted Fund**" means monetary sanctions received by the Corporation.

"**Rules**" means the Rules made pursuant to Section 14.1.

"**Significant Interest**" means in respect of any person the holding, directly or indirectly, of the securities of such person carrying in aggregate 10% or more of the voting rights attached to all of the person's outstanding voting securities.

"**Vice-Chair**" means a Director elected by the Board to act as its vice-chair.

Section 1.2 Interpretation

(1) Unless otherwise defined or interpreted in this By-law or the Rules, every term used in this By-law or the Rules that is:

(a) defined in subsection 1.1(3) of National Instrument 14-101 – *Definitions* has the meaning ascribed to it in that subsection; and

(b) defined or interpreted in National Instrument 21-101 – *Marketplace Operation* has the meaning ascribed to it in that National Instrument.

(2) The provisions of this By-law and the Rules are subject to applicable laws. Subject to the By-laws and the Rules, any reference in this By-law or the Rules to a statute or a National Instrument refers to such statute or National Instrument and all rules and regulations made under it, as it may have been or may from time to time be amended or re-enacted.

(3) In this By-law and the Rules and in all other By-laws hereafter passed and the Rules from time to time, unless the context otherwise requires, words importing the singular number or the masculine gender shall include the plural number or the feminine gender, as the case may be, and vice versa, and references to persons shall include, individuals, corporations, limited partnerships, general partnerships, joint ventures, associations, companies, trusts, societies or other entities, organizations and syndicates whether incorporated or not, trustees, executors, or other legal personal representatives, and any government or agency thereof. In the event of any dispute as to the meaning of the Articles, By-laws or Rules, the interpretation of the Board shall be final and conclusive.

Section 1.3 Meaning of Independence

(1) The term "Independent Director" means a Director who has no direct or indirect material relationship with the Corporation or a Member.

(2) For the purposes of subsection (1), a "material relationship" is a relationship which could be reasonably expected to interfere with the exercise of a Director's independent judgment.

(3) Despite subsection (1), the following individuals are considered to have a material relationship with the Corporation or a Member:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the Corporation;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer or non-independent director of the Corporation;

(c) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Corporation's current executive officers serves or served at that same time on the entity's compensation committee;

(d) an individual who received, or whose immediate family member who is employed as an executive officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12 month period within the last three years;

(e) an individual who is, or has been within the last three years, a partner, director, officer, employee, or person acting in a similar capacity of:

(i) a Member,

(ii) an Associate of a Member, or

(iii) an affiliated entity of a Member, and

(f) an individual who is, or has been within the last three years, an Associate of a partner, director, officer, employee, or person acting in a similar capacity of a Member.

(4) For the purposes of paragraph (3)(d), direct compensation does not include:

(a) remuneration for acting as a member of the Board or of any Board committee of the Corporation, and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

(5) Despite subsection (3), an individual will ordinarily not be considered to have a material relationship with the Corporation solely because the individual or his or her immediate family member:

(a) has previously acted as an interim chief executive officer of the Corporation, or

(b) acts, or has previously acted, as a chair or vice-chair of the Board or of any Board committee of the Corporation on a part-time basis.

(6) If, despite the three-year cooling-off period described in sections 3(e) and (f), the nature or duration of an individual's relationship with a Member, its Associates, or its affiliated entities could be reasonably expected to interfere with the exercise of that individual's independent judgment, then a sufficiently longer cooling-off period from the Member, Associate, and affiliated entity is required for that individual to be considered an Independent Director.

(7) Despite any determination made under sections (2) to (6), an individual is considered to have a material relationship with the Corporation if the individual:

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board or any Board committee, or as a part-time chair or vice-chair of the Board or any Board committee; or

(b) is an affiliated entity of the Corporation or any of its subsidiary entities.

(8) For the purposes of section (7), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by:

(a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any subsidiary entity of the Corporation.

(9) For the purposes of section (7), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

ARTICLE 2 AFFAIRS OF THE CORPORATION

Section 2.1 Public Interest Mandate

The Corporation shall act in the public interest by, without limitation:

(a) protecting investors from unfair, improper, or fraudulent practices by its Members;

(b) fostering fair and efficient capital markets and promoting market integrity;

(c) fostering public confidence in capital markets;

(d) facilitating investor education;

(e) administering a fair, consistent and proportionate continuing education program for all Dealer Members and applicable Approved Persons;

(f) accommodating innovation and ensuring flexibility and responsiveness to the future needs of the evolving capital markets, without compromising investor protection;

(g) providing effective market surveillance;

(h) fostering efficient and effective cooperation and coordination with each securities regulatory authority to ensure regulatory alignment;

(i) facilitating access to advice and products for investors of different demographics;

(j) recognizing and incorporating regional considerations and interests from across Canada;

(k) facilitating meaningful consultation and input from all types of Members and ensuring that investor perspectives are factored into the development and implementation of regulatory policies;

(l) administering robust, compliance, enforcement and complaint handling and resolution processes;

(m) contributing to financial stability, under the direction of the securities regulatory authorities; and

(n) administering effective governance and accountability to all stakeholders and preventing regulatory capture.

Section 2.2 Seal

The Corporation may adopt a seal by resolution of the Board.

Section 2.3 Head Office

Until changed in accordance with the Act, the head office of the Corporation shall be in the City of Toronto, in the Province of Ontario.

Section 2.4 Financial Year

Until changed by the Board, the financial year of the Corporation shall end on the last day of March in each year.

Section 2.5 Execution of Instruments

Transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two officers of the Corporation appointed in accordance with ARTICLE 8 of this By-law. 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 requiring the same, but it is not necessary to bind the Corporation.

Section 2.6 Banking Arrangements

The banking arrangements of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, 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.

Section 2.7 Voting Rights In Other Bodies Corporate

Any two officers of the Corporation appointed in accordance with ARTICLE 8 of this By-law may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments, certificates or other evidence shall be in favour of such person or persons as may be determined by the officers executing such proxies or arranging for the issuance of voting certificates or such other evidence of the right to exercise such voting rights. In addition, the Board may from time to time direct the manner in which and the person or persons by whom any particular voting rights or class of voting rights may or shall be exercised.

Section 2.8 Divisions

In addition to any other powers of the Board, the Board may, subject to the terms of the Recognition Orders and without further approval, cause the operations of the Corporation or any part thereof to be divided or segregated into one or more divisions upon such basis, including without limitation, character or type of operations, or geographical regions as the Board may consider appropriate in each case. From time to time the Board, or if authorized by the Board, the President, may authorize, upon such basis as may be considered appropriate in each case:

(a) *Sub-Division and Consolidation*: The further division of the operations of any such division into sub-units and the consolidation of the operations of any such divisions and sub-units;

(b) *Name*: The designation of any such division or sub-unit by, and the carrying on of the operations of any such division or sub-unit, under a name other than the name of the Corporation; provided that the Corporation shall set out its name in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation; and

(c) *Officers*: The appointment of officers for any such division or sub-unit, the determination of their powers and duties, and the removal of any such officer so appointed without prejudice to such officer's rights under any employment contract or in law, provided that any such officers shall not, as such, be officers of the Corporation, unless expressly designated as such in accordance with ARTICLE 8 of this By-law.

Section 2.9 Quebec Activities

The constating documents, By-laws and Rules of the Corporation will allow that the power to make decisions relating to the supervision of the Corporation's activities in Quebec will be exercised mainly by persons residing in Quebec.

ARTICLE 3 CONDITIONS OF MEMBERSHIP

Section 3.1 Entitlement

The Board shall, in its discretion, decide (and may delegate to a committee of the Board or an officer of the Corporation the authority to so decide) upon all issues pertaining to eligibility for membership in accordance with the By-laws and Rules of the Corporation. The Board may, by the affirmative vote of a majority of the Directors at a meeting of the Board and confirmed by the Members in accordance with ARTICLE 18, amend the By-law and Articles to add additional classes of Members and determine the rights and obligations pertaining to any added class. Initially there shall be two classes of Members, being (i) Marketplace Members; and (ii) Dealer Members.

Section 3.2 Dealer Members

Subject to the By-laws, the Articles, and the Act, Dealer Members shall be entitled to the rights and entitlements, and shall be subject to the obligations, attaching to all Members.

Section 3.3 Marketplace Members

Subject to the By-laws, the Articles, and the Act, Marketplace Members shall be entitled to the rights and entitlements, and shall be subject to the obligations, attaching to all Members.

Section 3.4 Fees

Membership and other fees and assessments may be established by the Board in the amounts and in accordance with the terms and conditions established by or under the authority of the Board. Fees shall be imposed on an equitable basis and, as a matter of best efforts, on a cost recovery basis to the extent practicable.

Section 3.5 Process for Approval for Membership of Dealer Members

(1) An application for membership must be submitted to the Corporation in the form and executed in the manner prescribed by or under the authority of the Board, and shall be accompanied by such fees, information and documents as the Corporation may require.

(2) Any firm shall be eligible to apply for membership as a Dealer Member if:

(a) It is formed under the laws of one of the provinces or territories of Canada and, where the firm is a corporation, it is incorporated under the laws of Canada or one of its provinces or territories;

(b) It carries on, or proposes to carry on, business in Canada as an investment dealer or mutual fund dealer, as applicable, and 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

(c) Its directors, officers, partners, investors and employees, and its holding companies, affiliated entities and related companies (if any), would comply with the By-laws and Rules of the Corporation that would apply to them if the applicant were a Dealer Member.

(3) An application for membership shall be accompanied by a non-refundable application review deposit in an amount to be determined by the Board, to be credited towards the annual fee paid by the Member in the event that the application is approved by the Board. Where, for any reason that cannot reasonably be attributed to the Corporation or its staff, the application process (other than an application of an alternative trading system) has not been completed within six months from the date the application was accepted for review by the Corporation, the deposit shall be forfeited to the Corporation and the application shall be required to be resubmitted with a new nonrefundable application review deposit. For purposes of this Section, the application process shall be considered to be completed when Corporation staff recommends to the Board the approval or rejection thereof.

(4) If in connection with the review or consideration of any application for membership, the Board is of the opinion that the nature of the applicant's business, its financial condition, the conduct of its business, the completeness of the application, the basis on which the application was made or any Corporation review in respect of the application in accordance with the By-laws and Rules of the Corporation has required, or can reasonably be expected to require, excessive attention, time and resources of the Corporation, the Board may require the applicant to reimburse the Corporation for some or all of its costs and expenses which are reasonably attributable to such excessive attention, time and resources or provide an undertaking or security in respect of such reimbursement. If an applicant is to be required to make such reimbursement of costs and expenses, the Corporation shall provide to the applicant a breakdown and explanation of such costs and expenses in sufficient detail to permit the applicant to understand the basis on which the costs and expenses were or are to be calculated.

(5) The process for review and approval of the application for membership shall be determined by or under the authority of the Board, and the Corporation shall make a preliminary review of the same and either:

(a) Where the application is incomplete, provide the applicant with a deficiency letter listing the items missing from or incomplete in the application, and, once Corporation staff have determined that the deficiencies have been addressed, perform a compliance review as referred to in Section 3.5(5)(b); or

(b) Where the application is complete, perform a compliance review and either:

(i) If such review discloses substantial compliance and willingness to comply with the requirements of the By-laws and Rules of the Corporation and approval of the application is considered to be in the public interest, forward a Corporation staff recommendation to approve the application to the Board for consideration along with the membership application; or

(ii) If such review discloses any substantial non-compliance or unwillingness to comply with the requirements of the By-laws and Rules of the Corporation, notify the applicant as to the nature of such non-compliance or unwillingness to comply and request that the application for membership be amended in accordance with the notification of the Corporation and refiled or be withdrawn. Once Corporation staff have determined that the necessary amendments have been made to the refiled application for membership, forward a Corporation staff recommendation to approve the application to the Board for consideration along with the membership application. If the applicant declines to amend or withdraw the application for membership, forward a Corporation staff recommendation to refuse the application to the Board for consideration along with the membership application and provide a copy of the recommendation to the applicant; or

(iii) If such review indicates that approval of the application is not in the public interest, notify the applicant as to the nature of the public interest concerns and request that the application for membership be withdrawn. If the applicant declines to withdraw the application for membership, forward a Corporation staff recommendation to refuse the application to the Board for consideration along with the membership application and provide a copy of the recommendation to the applicant.

(6) The membership application approval process, as set out in the Corporation's By-laws and Rules established from time to time, shall commence once the Board receives:

(a) The membership application from Corporation staff; and

(b) The Corporation staff recommendation to either approve or refuse the application pursuant to Section 3.5(5).

(7) The Board shall, in its discretion and pursuant to the membership application approval process, as set out in the Corporation's By-laws and Rules established from time to time, decide (and may delegate to a committee of the Board or an officer of the Corporation the authority to so decide) upon all applications for membership. The applicant and Corporation staff shall have an opportunity to be heard in respect of any decision proposed to be made under this Section 3.5(7).

(8) If the Board approves an application subject to terms and conditions as determined by or under the authority of the Board or refuses an application, the applicant shall be provided with a statement of the grounds upon which the Board has approved the application subject to terms and conditions or refused the application, and the particulars of those grounds.

(9) The Board may as it considers appropriate vary or remove any such terms and conditions as may have been imposed on an applicant, if such terms and conditions are or are no longer, as the case may be, necessary to ensure that the Corporation's public interest mandate or the By-laws and Rules will be complied with by the applicant. In the event that the Board proposes to vary terms and conditions in a manner which would be more burdensome to the applicant, the provisions of Section 3.5(8) shall apply in the same manner as if the Board was exercising its powers thereunder in regard to the applicant.

(10) If, pursuant to the provisions of Section 3.5(8), the Board approves an application subject to terms and conditions or refuses an application, the Board may order that the applicant may not apply for removal or variation of terms and conditions or reapply for approval, for such period as the Board provides.

(11) Actions upon Approval of Application:

(a) If and when the application is approved by the Board, the Corporation shall compute the amount of the annual fee to be paid by the applicant.

(b) If and when the application has been approved by the Board, and the applicant has, if required to do so, been duly licensed or registered under applicable law of the province or provinces or territories in Canada in which the applicant carries on or proposes to carry on business, and upon payment of the balance of the entrance and annual fees, the applicant shall become and be a Dealer Member; and

(c) The Corporation shall keep a register of the names and business addresses of all Dealer Members and of their respective annual fees. The annual fees of Dealer Members shall not be made public by the Corporation.

Section 3.6 Acceptance of Membership for Marketplace Members

If a Marketplace has requested that the Corporation act as the regulation services provider for that Marketplace, the Marketplace shall be accepted as a Marketplace Member effective upon the execution of an agreement with the Marketplace that has been authorized by the Board, for the Corporation to be the regulation services provider to that Marketplace. A Marketplace shall cease to be a Marketplace Member upon the termination of the agreement for the Corporation to be the regulation services provider to the Marketplace.

Section 3.7 Amalgamation of Members

If two or more Members propose to amalgamate and continue as one Member, the continuing Member shall not be considered to be a new Member or be required to re-apply for membership, except as otherwise determined by the Board and provided that the continuing Member otherwise complies with the By-laws and Rules including the payment of Member fees, if applicable.

Section 3.8 Dealer Member Resignation

Subject to Section 14.6, a Dealer Member wishing to resign shall address a letter of resignation to the Board in the form and containing such information prescribed by the Board which resignation shall become effective when approved by the Board, in accordance with the Rules. A Dealer Member resigning from the Corporation shall make full payment of its annual fee, if applicable, for the financial year in which its resignation becomes effective.

Section 3.9 Dealer Member Removal

Unless a Dealer Member has voluntarily resigned, the Board may terminate the membership of such Dealer Member in accordance with the By-laws and Rules. On the termination or resignation of a Dealer Member, the rights of the Dealer Member shall be determined in accordance with the By-laws and the Rules. The Rules regarding the discipline of Members are incorporated by reference in this By-law.

Section 3.10 Transferability, Reorganizations

Membership is not transferable, unless approved by the Board. If the business or ownership of a Member is proposed to be reorganized or transferred, amalgamated or otherwise combined in whole or in part with another person (including another Member) in a manner which the Member or its business will cease to exist in, or will be substantially changed from, its then current form, or a change of control of the Member may occur, the Member (not less than 30 days prior to the proposed effective date of such event) shall give written notice to the Corporation. Upon receipt of such notice, the Corporation shall review the proposed transaction and may request from the Member, its auditors or any other person involved in the transaction, such information as it or the Board may consider necessary or desirable. The Corporation may either (a) approve the proposed transaction (which approval may be subject to terms and conditions) or (b) direct that the transaction not be completed if the Corporation determines in its sole discretion that the obligations of the Member to its clients cannot be satisfied or the By-laws and Rules will not be complied with by the Member or any continuing, new or reorganized entity, as the case may be.

Section 3.11 Ceasing to Carry on Business

If a Member has ceased to carry on business as any of an investment dealer, a mutual fund dealer or a Marketplace, as applicable, or its business has been acquired by a person which is not a Member of the Corporation, the Board may, unless the Member has voluntarily resigned in accordance with Section 3.8, terminate the Membership of the Member after the Member has been given the opportunity to be heard in accordance with the Rules. A former Member whose Membership has been terminated pursuant to

the provisions of this Section 3.11 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 Member.

Section 3.12 Ownership

Without limiting the generality of Section 14.1, the Board may make and from time to time amend and repeal Rules regarding the ownership of equity interests in Members.

ARTICLE 4 MEMBERS' MEETINGS

Section 4.1 Annual Meeting

The annual meeting of the Members shall be held on a date to be determined by the Board, but in any case shall be held within six months after the end of the Corporation's fiscal year. Each annual meeting shall be held at the head office of the Corporation or at any other place in Canada as the Board may determine. At every annual meeting, in addition to any other business that may be transacted, the report of the Directors, the financial statements and the report of the auditors shall be presented and auditors shall be appointed for the ensuing year.

Section 4.2 Special or General Meetings

Members may consider and transact any business either special or general at any meeting of the Members. The Board, the Chair, Vice-Chair, the President, or a designated vice-president shall have power to call, at any time, a general meeting of the Members. The Board shall call a special general meeting of Members on written requisition of Members representing not less than five percent of the number of Members.

Section 4.3 Quorum

Unless otherwise provided by the Act, the Articles or any other By-law, twenty percent of Members shall constitute a quorum at any meeting of the Members provided such Members are present in person or represented by a duly appointed proxyholder. If a quorum is present at the opening of any meeting of Members, the Members present or represented by proxy may proceed with the business of the meeting notwithstanding that a quorum is not present throughout the meeting. If a quorum is not present at the opening of any meeting of Members, the Chair or the Members present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

Section 4.4 List of Members Entitled to Notice

For every meeting of Members, the Corporation shall prepare a list, in alphabetic order and arranged by class, of Members entitled to receive notice of and vote at the meeting. The Members listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given. The list shall be available for examination by any Member during usual business hours at the head office of the Corporation and at the meeting for which the list was prepared.

Section 4.5 Notice

Twenty-one days notice shall be given to each Member, each Director, and the auditor of the Corporation, of any annual or special general meeting of Members in the manner prescribed by the Rules and policies. Notice of any meeting where special business will be transacted shall contain sufficient information to permit the Member to form a reasoned judgement on the decision to be taken upon which the Member is entitled to vote. Notice of each meeting of Members must remind the Member entitled to vote that the Member has the right to vote by proxy, and must attach a form of proxy.

Section 4.6 Absentee Voting

(1) In addition to voting personally (or in the case of a Member who is a body corporate or association, by an individual authorized by a resolution of the Board or governing body of the body corporate or association to represent it at meetings of the Members of the Corporation), every Member entitled to vote at a meeting of Members shall have one vote, and may vote by any of the following means:

(a) by a proxy, provided that a person appointed by proxy must be a director, officer or employee of a Member or of an affiliated entity of a Member or a director of the Corporation;

(b) by using a mailed-in ballot in the form provided by the Corporation provided that the Corporation has a system that enables the votes to be gathered in a manner that permits their subsequent verification and permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each Member voted; or

(c) by means of a telephonic, electronic or other communication facility, if the facility enables the votes to be gathered in a manner that permits their subsequent verification and permits the tallied votes to be presented to the Corporation without it being possible for the Corporation to identify how each Member voted;

provided that a proxy, a mailed-in ballot, or any vote cast by means of a telephonic, electronic or other communication facility must be executed by the Member or the Member's attorney authorized in writing or, if the Member is a body corporate or association, by an officer or employee of a Member or of an affiliated entity of a Member.

(2) The Board may from time to time establish requirements regarding the lodging of proxies at some place or places other than the place at which a meeting or adjourned meeting of Members is to be held and for particulars of such proxies to be sent by facsimile or in writing before the meeting or adjourned meeting to the Corporation or any agent of the Corporation for the purpose of receiving such particulars and providing that proxies so lodged may be voted upon as though the proxies themselves were produced at the meeting or adjourned meeting and votes given in accordance with such requirements shall be valid and shall be counted. The chair of any meeting of Members may, subject to any requirements established as aforesaid, in the chair's discretion accept facsimile or written communication as to the authority of any person claiming to vote on behalf of and to represent a Member notwithstanding that no proxy conferring such authority has been lodged with the Corporation, and any votes given in accordance with such facsimile or written communication accepted by the chair of the meeting shall be valid and shall be counted.

(3) Voting by proxy, mailed-in ballot, or by means of a telephonic, electronic, or other communication facility shall comply with the procedures for collecting, counting, and reporting the results of any vote established by the Board from time to time. Such procedures are incorporated by reference in this By-law.

Section 4.7 Votes

The voting rights of the Members at any meeting of Members shall be as follows:

(a) In the case of a vote for the election of Directors, each Member present at a meeting to elect such Directors shall have the right to exercise one vote;

(b) In the case of a vote for the removal of a Director, each Member present at a meeting to consider the removal of the Director shall have the right to exercise one vote. A majority of the votes cast by the Members, voting together, present and carrying voting rights to remove a Director shall remove such Director from office;

(c) In the case of a vote for the repeal, amendment or enactment of a By-law or to authorize an application for articles of amendment (including increasing the size of the Board or adding new classes of members) or to approve the sale or transfer of all or substantially all the Corporation's assets, or an amalgamation or plan of arrangement, each Member shall have the right to exercise one vote at a meeting at which such approval is required, and except as required by the Articles or the Act, every such question shall be decided by at least two-thirds of the votes cast on the question by the Members, voting together, present and carrying voting rights;

(d) On all other questions or matters to be decided at a meeting, each Member present at a meeting shall have the right to exercise one vote. A majority of votes cast by all Members, voting together, present and carrying voting rights shall decide the question or matter.

Section 4.8 Participation in Meetings by Telephonic or Electronic Means

(1) A Member may participate in a meeting of the Members by means of a telephonic, electronic or other communication facility that permits all persons participating in the meeting to communicate adequately with each other, if the Corporation makes available such a communication facility. A Member participating in such a meeting by such means is deemed to be present at the meeting.

(2) If the Board or Members call a meeting of Members, the Board or Members, as the case may be, may determine that the meeting shall be held entirely by means of a telephonic, electronic, or other communication facility that permits all participants to communicate adequately with each other during the meeting.

(3) At the outset of each meeting referred to in subsection (1) or (2) and whenever votes are required, the chair of the meeting shall establish the existence of a quorum and unless a majority of the Members present at such meeting otherwise require, adjourn the meeting to a predetermined date, time and place whenever not satisfied that the proceedings of the meeting may proceed with adequate security and confidentiality.

Section 4.9 Chair, Secretary and Scrutineers

The chair of any meeting of Members shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: Chair, Vice-Chair, or the President. If no such officer is present within fifteen minutes from the time

fixed for holding the meeting, the persons present and entitled to vote on behalf of Members shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint an individual who is authorized to vote on behalf of a Member to act as secretary of the meeting. If desired, one or more scrutineers, who need not be Members, may be appointed by a resolution or by the chair with the consent of the meeting.

Section 4.10 Persons Entitled to be Present

The only persons entitled to be present at a meeting of Members shall be those entitled to vote thereat, the Directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act, the Articles or By-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

Section 4.11 Show of Hands

Subject to the provisions of the Act, any question at a meeting of Members shall be decided by a show of hands or by such other form of consent appropriate to the communication facility used to collect votes, unless a ballot thereon is required or demanded in accordance with Section 4.12. Subject to the By-laws, upon a show of hands or the provision of another appropriate form of consent, every person who is present and entitled to vote on behalf of a Member shall have one vote. Whenever a vote by show of hands or otherwise shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chair of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the Members upon the said question.

Section 4.12 Ballots

On any question proposed for consideration at a meeting of Members, and whether or not a show of hands or another form of consent has been taken thereon, the chair or any person who is present and entitled to vote, whether as proxyholder or representative, on such questions at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled to that number of votes provided by the By-laws and the result of the ballot so taken shall be the decision of the Members upon the said question.

Section 4.13 Adjournment

The chair at a meeting of Members may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and place to place. If a meeting of Members is adjourned for less than thirty days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned.

ARTICLE 5 BOARD OF DIRECTORS

Section 5.1 Number and Qualifications

Subject to the Articles, the Board shall be comprised of 15 Directors. A majority of the Directors shall be residents of Canada. Directors need not be Members.

Section 5.2 Director Representation

The Board shall be comprised of 15 Directors as follows:

(a) Eight Independent Directors,

(b) Six Non-Independent Directors, and

(c) The President.

Section 5.3 Recommendation of Director Nominees for Election

(1) Prior to each annual meeting of Members at which Directors are to be elected, the Governance Committee shall review and select for recommendation to the Board as nominees such number of qualified candidates for election as Non-Independent Directors and Independent Directors as are to be elected at the annual meeting. The Governance Committee will evaluate individual candidates based on their ability to contribute a range of knowledge, skills and experience and having regard for the required composition of the Board and the fact that the Board, as a whole, should be representative of the Corporation’s various stakeholders.

(2) Subject to the terms of the Recognition Orders, the Board shall nominate for election to the Board at the annual meeting the persons as determined in accordance with this Section 5.3.

Section 5.4 Election and Term

(1) The term of each Independent Director and Non-Independent Director elected at a meeting of Members shall expire at the dissolution or adjournment of the second annual meeting of Members following the annual meeting of Members at which the Director was elected. Notwithstanding the foregoing sentence, the Board of Directors shall be authorized pursuant to Section 5.3(2) to nominate for election by the Members a Director with a term that may expire before the second annual meeting of Members following such election.

(2) With the exception of the President, a Director may be elected to serve four consecutive terms in office but shall not be eligible to be elected to serve a fifth consecutive term, which shall include any shorter term as may have been fixed by the Board of Directors in accordance with this By-law, but shall exclude any portion of a term in office in respect of a vacancy filled pursuant to Section 5.6. For purposes of determining the number of consecutive terms in office of an initial Director upon the Amalgamation who was re-elected at the first annual meeting of Members, his or her term in office prior to the first annual meeting of Members shall not be included. Those Directors elected at the first annual meeting of Members following the Amalgamation to serve for an initial one year term shall be limited to three additional consecutive terms in office.

(3) Notwithstanding Section 5.4(2), a Director who was on the board of directors of either IIROC or the MFDA immediately prior to the Amalgamation shall not be elected to serve on the Board for a term that would result in such Director serving beyond the first annual meeting of Members held after the eight (8) year anniversary of such Director's election to the board of IIROC or the MFDA, as applicable.

Section 5.5 Vacancies

The office of Director shall be automatically vacated:

(a) If a resolution to remove the Director has been approved by the Members in accordance with Section 4.7(b);

(b) In the case of a Director who is President, if the Director ceases to be President;

(c) In the case of an Independent Director, if the Director ceases to be qualified as an Independent Director;

(d) If a Director shall have resigned the office by delivering a written resignation to the secretary of the Corporation;

(e) If the Director is declared to be incapable by a court in Canada or in any other country;

(f) If a majority of the Directors (excluding the Director in question) determine that the Director is no longer a fit and proper person;

(g) If the Director becomes bankrupt; or

(h) If the Director dies.

Section 5.6 Filling Vacancies

If a vacancy in the Board shall occur for any reason, the vacancy shall be filled (allowing a reasonable period of time for doing so) for the balance of the term or such shorter term as the Board shall determine pursuant to Section 5.4, of the Director that vacated the office by a resolution passed by the Board appointing a Director, provided that:

(a) If the vacancy is caused by the departure of the President, the person to be appointed to the office of the President has been appointed by the Board;

(b) If the vacancy is caused by the departure of an Independent Director or a Non-Independent Director, the person to be appointed has been identified and recommended by the Governance Committee and in the case of a vacancy of an Independent Director, the person recommended is qualified as an Independent Director, and

(c) If the vacancy is caused by the failure to elect the required number of Directors, the Board may appoint a Director to fill the vacancy on the basis that the vacancy arose by reason of the departure of an Independent Director or Non-Independent Director and the provisions of Section 5.6(b) shall apply.

Section 5.7 Remuneration of Directors

The Board may determine from time to time such reasonable remuneration, if any, to be paid to the Independent Directors for serving as such and the Board may determine that such remuneration need not be the same for all Directors. Non-Independent Directors shall not receive remuneration for serving as such. Directors may be reimbursed for reasonable expenses incurred by a Director in the performance of the Director's duties.

Section 5.8 Release of Claims

When a Director ceases to hold office, the Corporation shall release a resigning or departing Director of all claims with respect to any matter or thing up to and including the resignation or departure in the capacity as a Director, except for any claims (other than to the extent the Director is indemnified by the Corporation pursuant to Section 9.2) which might arise out of the gross negligence or fraud of the resigning or departing Director.

ARTICLE 6 POWERS OF DIRECTORS

Section 6.1 Administer Affairs

The Board shall supervise the management of the affairs of the Corporation. Subject to the By-laws and the Act, 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. If there is a vacancy on the Board, the remaining Directors may exercise all the powers of the Board so long as a quorum remains in office.

Section 6.2 Expenditures

The Board shall have power to authorize expenditures on behalf of the Corporation from time to time and may delegate by resolution to an officer or officers of the Corporation the right to employ and pay salaries to employees.

Section 6.3 Borrowing Power

(1) The Board is hereby authorized, from time to time, without the authorization of the Members:

(a) To borrow money upon the credit of the Corporation;

(b) To limit or increase the amount to be borrowed;

(c) To issue or cause to be issued, bonds, debentures or other securities of the Corporation and to pledge or sell the same for such sums, upon such terms, covenants and conditions and at such prices as may be deemed expedient by the Board;

(d) To secure any such bond, debentures or other securities, or any other present or future borrowing or liability of the Corporation, by mortgage, hypothec, charge or pledge of all or any currently owned or subsequently acquired real and personal, movable and immovable, property of the Corporation, and the undertaking and rights of the Corporation; and

(e) Delegate to a committee of the Board, a Director or an officer or officers of the Corporation all or any of the powers conferred on the Board under this subsection to such extent and in such manner as the Board may determine at the time of such delegation.

(2) The powers hereby conferred shall be deemed to be in supplement of and not in substitution for any powers to borrow money for the purposes of the Corporation possessed by its Directors or officers independently of this By-law.

Section 6.4 Conflict of Interest

(1) A Director who is in any way directly or indirectly interested in a material contract or proposed material contract or a material transaction or proposed material transaction with the Corporation shall make the disclosure required by the Act and except as provided by the Act, no such Director shall vote on any resolution to approve any such contract or transaction. In supplement of and not by way of limitation upon any rights conferred upon Directors by the Act, it is declared that, subject to compliance with the Act, no Director shall be disqualified from any such office by, or vacate any such office by reason of, holding any office with the Corporation or with any corporation in which the Corporation shall be a shareholder or by reason of being otherwise in any way directly or indirectly interested or contracting with the Corporation as vendor, purchaser or otherwise or being concerned in any contract or arrangement made or proposed to be entered into with the Corporation in which the Director is in any way directly or indirectly interested as vendor, purchaser or otherwise. Subject to compliance with the Act, no contract or arrangement or transaction entered into by or on behalf of the Corporation in which any Director shall be in any way directly or indirectly interested shall be void or

voidable and no Director shall be liable to account to the Corporation or any of its Members or creditors for any profit realized by or from any such contract or arrangement or transaction by reason of any fiduciary relationship. Notwithstanding the foregoing prohibitions on voting by a Director, such Director may be present at and counted to determine the presence of a quorum at the relevant meeting of Directors.

(2) A Director who is a party to, or who is a director, officer or employee of or has a material interest in any person who is a party to, a regulatory matter or regulatory investigation in which the Corporation is involved shall disclose the nature and extent of his or her interest at the time and in the manner required by subsection 6.4(1) for an interest in a contract or transaction. Such Director shall not vote on any such matter or investigation, and shall withdraw from the part of any meeting of the Board at which the matter or investigation is discussed or considered, if such matter or investigation is directed specifically at or otherwise directly relates to the Director or a person of which he or she is an employee, officer or director or in which he or she has a material interest.

ARTICLE 7 DIRECTORS' MEETINGS

Section 7.1 Place of Meeting

Meetings of the Board may be held at any place to be determined by the Board, inside of Canada.

Section 7.2 Calling of Meetings

Meetings of the Board shall be held from time to time at such time as the Board, the Chair, the President, or any two Directors may determine.

Section 7.3 Notice of Meetings

Forty-eight hours written notice of any meeting of the Board shall be given, other than by mail, to each Director. Notice by mail shall be sent at least fourteen days prior to the meeting. There shall be at least one meeting per calendar quarter of the Board. Any notice shall describe the matters to be addressed at the meeting. A meeting of the Board shall be held immediately following an annual meeting without notice, provided a quorum is present.

Section 7.4 Adjourned Meeting

Any meeting of directors may be adjourned from time to time by the chair of the meeting, with the consent of the meeting, to a fixed time and place. Notice of any adjourned meeting of directors is not required to be given if the time and place of the adjourned meeting is announced at the original meeting. Any adjourned meeting shall be duly constituted if held in accordance with the terms of the adjournment and a quorum is present thereat. The directors who formed a quorum at the original meeting are not required to form the quorum at the adjourned meeting. If there is no quorum present at the adjourned meeting, the original meeting shall be deemed to have terminated forthwith after its adjournment. Any business may be brought before or dealt with at any adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

Section 7.5 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 except where the Act requires the purpose thereof or the business to be transacted thereat to be specified and except where non-routine business is to be discussed.

Section 7.6 Chair of Meetings of the Board

The chair of any meeting of the Board shall be the Chair, and if the Chair is not present at the meeting, the Vice-Chair. If the Chair and the Vice-Chair are not present, the Directors present shall choose one of their number to be chair.

Section 7.7 Voting Rights

Each Director is authorized to exercise one vote at all meetings of the Board, and except as required by the Act, every question shall be decided by a majority of the votes cast on the question and, in case of an equality of votes, the chair of the meeting shall not be entitled to a second or casting vote.

Section 7.8 Participation in Meetings by Telephonic or Electronic Means

(1) A Director may participate in a meeting of the Board or of a committee of the Board by means of a telephonic, electronic, or other communication facility that permits all persons participating in the meeting to communicate adequately with each other, provided that each Director has consented in advance to meeting by such means, and a Director participating in such a meeting by such means is deemed to be present at the meeting.

(2) At the outset of each meeting referred to in the foregoing subsection and whenever votes are required, the chair of the meeting shall establish the existence of a quorum and, unless a majority of the Directors present at such meeting otherwise require, adjourn the meeting to a predetermined date, time and place whenever not satisfied that the proceedings of the meeting may proceed with adequate security and confidentiality.

Section 7.9 Quorum

A majority of the Directors in office, including a majority of the Independent Directors in office from time to time, shall constitute a quorum for meetings of the Board. Any meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the By-laws.

Section 7.10 Minutes of Meetings

The minutes of the Board shall not be available to the Members but shall be available to the Directors, each of whom shall receive a copy of such minutes.

ARTICLE 8 OFFICERS

Section 8.1 Appointment

The Board may annually or more often as may be required, appoint a Chair, a Vice-Chair, a President, one or more vice-presidents, a secretary and any such other officers as the Board may determine, including one or more assistants to any of the officers so appointed. The Board may specify the duties of and, in accordance with this By-law and subject to the provisions of the Act, delegate to such officers powers to manage the affairs of the Corporation. Except as otherwise provided in this By-law, officers need not be Directors, nor Members.

Section 8.2 Chair and Vice-Chair of the Board

The Board shall from time to time appoint a Chair of the Board who shall be an Independent Director and may appoint one or more Vice-Chairs of the Board who shall be Directors and may not be President. If appointed, the Board may assign to them any of the powers and duties that are by any provisions of a By-law assigned to the President, and they shall, subject to the provisions of the Act, have such other powers and duties as the Board may specify. During the absence or disability of the Chair, the Vice-Chair shall perform the duties and exercise the powers of Chair.

Section 8.3 President and Chief Executive Officer

The Board shall appoint a President, who shall also be appointed as the chief executive officer. The President shall have such powers and duties as the Board may specify.

Section 8.4 Vice-President

A vice-president shall have such powers and duties as the Board or the President may specify.

Section 8.5 Secretary

The secretary shall attend and be the secretary of all meetings of the Board (or arrange for another individual to so act), Members and committees of the Board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; the secretary shall give or cause to be given, as and when instructed, all notices to Members, Directors, officers, auditors and members of committees of the Board; the secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents, and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and the secretary shall have such other powers and duties as the Board or the President may specify.

Section 8.6 Powers and Duties of Other Officers

The powers and duties of all other officers shall be such as the terms of their engagement call for or as the Board or the President may specify. 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 or the President otherwise directs.

Section 8.7 Variation of Powers and Duties

The Board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

Section 8.8 Term of Office

The Board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise, each officer appointed by the Board shall hold office until his or her successor is appointed, or until his or her earlier resignation.

Section 8.9 Terms of Employment and Remuneration

The terms of employment and the remuneration of an officer appointed by the Board shall be settled by the Board from time to time or by a committee of the Board appointed for that purpose.

Section 8.10 Conflict of Interest

Section 6.4 of this By-Law shall apply to an officer (i) with any interest in any material contract or proposed material contract or material transaction or proposed material transaction with the Corporation, or (ii) who is a party to, or who is a director, officer or employee of or has a material interest in any person who is a party to a regulatory matter or regulatory investigation in which the Corporation is involved, as if the officer were a Director.

Section 8.11 Agents and Attorneys

The Corporation, by or under the authority of the Board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada 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.

ARTICLE 9 PROTECTION OF DIRECTORS AND OTHERS

Section 9.1 Limitation of Liability

No Protected Party shall be liable for the acts, neglect or defaults of any other Protected Party, or for any other loss, damage or misfortune whatsoever which shall happen in the execution of the duties of his or her office or position or in relation thereto unless the same are occasioned by his or her own wilful neglect or default.

Section 9.2 Indemnities to Directors and Others

(1) Each Indemnified Party shall, from time to time and at all times, be indemnified and saved harmless out of the funds of the Corporation, from and against:

(a) all costs, charges, fines, damages and penalties and expenses whatsoever that such Indemnified Party reasonably incurs, including an amount paid to settle an action or satisfy a judgment, in respect of any civil, criminal, administrative, investigative, or other proceeding which is threatened, brought, commenced or prosecuted against him or her, or in respect of any act, deed, matter or thing whatsoever, made, done or permitted by him or her, in or about the execution of the duties of his or her office or position or in respect of any such liability including those duties executed, whether in an official capacity or not, for or on behalf of or in relation to any body corporate or entity which he or she serves or served at the request of or on behalf of the Corporation or other entity; and

(b) all other costs, charges and expenses which he or she sustains or incurs in or about or in relation to the affairs thereof, including an amount representing the value of time any such Indemnified Party spent in relation thereto and any income or other taxes or assessments incurred in respect of the indemnification provided for in this By-law, until it is conclusively determined that such Indemnified Party shall no longer be entitled to such indemnification,

provided that the Indemnified Party:

(c) acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the Indemnified Party acted as director or officer or in a similar capacity at the Corporation's request; and

(d) in the case of a criminal or administrative proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his/her conduct was lawful.

(2) The Corporation shall also indemnify such persons in such other circumstances as the Act permits or requires. Nothing in this By-law shall limit the right of any person entitled to indemnity apart from the provisions of this By-law.

Section 9.3 Insurance

The Corporation shall purchase and maintain insurance for the benefit of any Indemnified Party against such liabilities and in such amounts as the Board may from time to time determine and are permitted by the Act.

ARTICLE 10 REGIONAL COUNCILS

Section 10.1 Designation of Regions

Subject to the terms of the Recognition Orders, the Board may establish a National Council, and the Board may designate any geographic area in Canada as a Region of the Corporation. Subject to the terms of the Recognition Orders, the Board may change or terminate any such designation. The original geographic areas of Canada have been designated as Regions of the Corporation as follows:

(a) Atlantic Region, composed of the Provinces of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador;

(b) Quebec Region;

(c) Ontario Region;

(d) Manitoba Region, composed of the Province of Manitoba and the Territory of Nunavut;

(e) Saskatchewan Region;

(f) Alberta Region, composed of the Province of Alberta and the Northwest Territories; and

(g) Pacific Region, composed of the Province of British Columbia and the Yukon Territory.

Section 10.2 Composition of Regional Councils

(1) There shall be a Regional Council in each Region. Each Regional Council shall be composed of four to twenty members, as determined from time to time by the Regional Council, including a chair and vice-chair to be elected at the annual meeting of Dealer Members of the Region.

(2) In addition to the members of the Regional Council elected at the annual meeting of Dealer Members of the Region, the Board may appoint one or more ex-officio members of a Regional Council.

Section 10.3 Duties and Powers

Each Regional Council shall have an advisory role with respect to regional issues, and provide regional perspectives on national issues.

Section 10.4 Meetings of Regional Members

The Dealer Members of each Region shall meet at least annually for the purpose of electing members of the Regional Council. A meeting of the Dealer Members of any Region may be called by the Regional Council or by the Board and shall be held and conducted in accordance with the By-laws and Rules, and the procedures established by the Board from time to time. Notice of the time and place of any such meeting shall be given to the Dealer Members of the Region. Two Members of the Region entitled to vote, present personally or by a partner, director or officer shall be a quorum for any meeting of the Dealer Members of the Region. Unless otherwise determined by the Board, voting at any meeting of the Dealer Members of a Region may be carried out in the same manner as provided for voting at meetings of the Corporation. Instruments of proxy for such purpose shall be lodged with the Chair of the Regional Council not later than 10:00 a.m. of the day of the meeting or of any adjournment thereof.

ARTICLE 11 DISTRICT HEARING COMMITTEES

Section 11.1 Designation of Districts

Subject to the terms of the Recognition Orders, the Board may from time to time designate any geographic area in Canada as a District of the Corporation, and may change or terminate any such designation. The original geographic areas of Canada have been designated as Districts of the Corporation as follows:

(a) Newfoundland and Labrador District;

(b) Prince Edward Island District;

(c) Nova Scotia District;

(d) New Brunswick District;

(e) Québec District;

(f) Ontario District;

(g) Manitoba District, composed of the Province of Manitoba and the Territory of Nunavut;

(h) Saskatchewan District;

(i) Alberta District, composed of the Province of Alberta and the Northwest Territories; and

(j) Pacific District, composed of the Province of British Columbia and the Yukon Territory.

Section 11.2 District Hearing Committees

There shall be a hearing committee in each District. Each District Hearing Committee shall have the duties, shall operate in accordance with the procedures and shall exercise its powers as set out in the Rules, including its powers with respect to the conduct of hearings. The appointment of the District Hearing Committees shall be made in accordance with the Rules.

ARTICLE 12 COMMITTEES AND ADVISORY BODIES

Section 12.1 Committees of the Board

The Board may from time to time in its discretion appoint from their number one or more committees of the Board with such powers as the Board may determine including, without limitation, the authority to exercise any of the powers of the Board and to act in all matters for and in the name of the Board under the By-laws and Rules, except in each case where By-laws or Rules specifically require an action by, or approval of, the Board. The members of any committee established by the Board shall be appointed annually at the first meeting of Directors following the annual meeting of Members at which Directors have been elected. Unless otherwise provided in this By-law, any Director shall be entitled to be appointed to any committee and a majority of the members of a committee present in person or by telephone shall constitute a quorum, provided that if Independent Directors must be members of the committee, the quorum must also include a majority of the Independent Directors who are members of the committee.

Section 12.2 Governance Committee

The Board shall establish a Governance Committee composed of at least five Directors, and may include the Chair. All of the members shall be Independent Directors. The chair of the Governance Committee shall be elected by the Board. The Governance Committee shall perform such duties as the Board may delegate or direct from time to time.

Section 12.3 Finance, Audit and Risk Committee

The Board shall establish a Finance, Audit and Risk Committee composed of at least five Directors of whom a majority shall be Independent Directors. The chair of the Finance, Audit and Risk Committee shall be an Independent Director elected by the Board. The Finance, Audit and Risk Committee shall review and report to the Board on the annual financial statements of the Corporation and shall perform such other duties as the Board may delegate or direct from time to time.

Section 12.4 Human Resources and Pension Committee

The Board shall establish a Human Resources and Pension Committee composed of at least five Directors of whom a majority shall be Independent Directors. The chair of the Human Resources and Pension Committee shall be an Independent Director elected by the Board. The Human Resources and Pension Committee shall perform such duties as the Board may delegate or direct from time to time.

Section 12.5 Appointments Committee

The Board shall establish an Appointments Committee which will be responsible for appointing members to the District Hearing Committees and such Appointments Committee shall be composed of at least seven Directors (provided the Appointments Committee shall always be comprised of an uneven number of members), including the President, of whom a majority shall be Independent Directors. The chair of the Appointments Committee shall be an Independent Director elected by the Board. The Appointments Committee shall perform such other duties as the Board may delegate or direct from time to time.

Section 12.6 Committee Meetings

The Board may prescribe requirements and procedures not inconsistent with the Act and the By-laws relating to the calling of meetings of, and conduct or business by, committees of the Board. Subject to the By-laws and Rules and any resolution of the Board, meetings of any such committee shall be held at any time and place to be determined by the chair of the committee or its members provided that at least 48 hours' prior written notice of such meetings shall be given, other than by mail, to each member of the committee. Notice by mail shall be sent at least 14 days prior to the meeting.

Section 12.7 Advisory Bodies

The Board may from time to time appoint such advisory bodies as it may deem advisable, and may delegate such power of appointment to any Director, officer, committee or employee of the Corporation. Membership on such advisory bodies shall be determined by the Board from time to time and if the Board so decides, members of such advisory bodies may be persons other than Directors, Members or directors, officers or employees of a Member.

Section 12.8 Procedure

Unless otherwise determined by the Board, this By-law or the Rules, each committee and advisory body shall have power to regulate its procedure.

ARTICLE 13 NOTICES

Section 13.1 Method of Giving 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 thereunder, the Articles, the By-laws or otherwise to a Member, Director, officer, auditor 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 the person's recorded address; or if mailed to the person at the person's recorded address by prepaid ordinary or air mail; or if sent to the person at the person's recorded address by any means of prepaid transmitted or recorded communication (including any form of electronic communication). 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 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 Member, Director, officer, auditor or member of a committee of the Board in accordance with any information believed by the secretary to be reliable. The foregoing shall not be construed so as to limit the manner or effect of giving notice by any other means of communication otherwise permitted by law or as authorized by this By-law.

Section 13.2 Undelivered Notices

If any notice given to a Member pursuant to Section 13.1 is returned on three consecutive occasions because the Member cannot be found, the Corporation shall not be required to give any further notices to such Member until the Member informs the Corporation in writing of the Member's new address.

Section 13.3 Omissions and Errors

The accidental omission to give any notice to any Member, Director, officer, auditor 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.

Section 13.4 Waiver of Notice

Any Member, proxyholder, representative, other person entitled to attend a Members' Meeting, Director, officer, auditor or member of a committee of the Board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to such person under any provision of the Act, the regulations thereunder, the Articles, the Bylaws or otherwise and such waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of the Board or of a committee of the Board which may be given in any manner.

ARTICLE 14 RULES AND OTHER INSTRUMENTS

Section 14.1 Power to Make, Amend or Repeal Rules

The Board may make and from time to time amend or repeal such Rules, policies and other instruments (collectively, "Rules") for the objects of the Corporation as a self-regulatory organization and a regulation services provider. All such Rules for the time

being in force, unless expressly otherwise provided, shall be binding upon all Regulated Persons. For the purposes of the discipline of Members in accordance with the Rules, such Rules from time to time are incorporated by reference in this By-law. Rules made or amended may be designated with such style, name or title as approved by the Board. Rules shall be effective without Member approval or approval by any other person, except as expressly otherwise provided therein or pursuant to any applicable legislation, the Recognition Orders or the Information Processor Recognition Orders. Rules may represent the imposition of requirements in addition to or higher than those imposed under the applicable securities legislation.

Section 14.2 Forms and Other Instruments

Where pursuant to any By-Law or Rule, a Form or other instrument may be prescribed or adopted, any such Form or other instrument (including any instructions, directions or notes in such Forms) so prescribed or adopted shall have the same force and effect as the By-Law or Rule pursuant to which it is prescribed or adopted. Any reference in the By-laws or Rules to compliance with the By-laws or Rules shall be deemed to include a reference to any Forms and other instruments.

Section 14.3 Use of Restricted Fund

Permissible uses for the Restricted Fund will be subject to the terms of Recognition Orders.

Section 14.4 Investor Protection Fund

The Corporation is authorized to enter into and perform its obligations under such agreements or other arrangements with the IPF as may be, in the discretion of the Board, consistent with the objects of the Corporation including, without limitation, the Industry Agreement. The President, his or her staff or any other person designated by the Board shall be authorized to execute and deliver any such agreements, or make any such arrangements, and to do all acts and things as may be necessary to permit the Corporation to exercise its rights or perform its obligations thereunder.

In respect of the Industry Agreement or other agreements and arrangements entered into by the Corporation from time to time, each Dealer Member:

(a) shall promptly pay to the IPF all regular and special assessments levied or prescribed by the IPF in respect of such Dealer Member;

(b) shall provide to the IPF such information as is contemplated to be provided by a Dealer Member in connection with the assessment of the financial condition of Dealer Members or risk of loss to the IPF;

(c) acknowledges and consents to the exchange between the Corporation and the IPF of information relating to Dealer Members, their partners, directors, officers, shareholders, employees and agents, customers or any other persons permitted by law in accordance with any information sharing agreements or arrangements made by them;

(d) shall permit the IPF to conduct reviews of such Dealer Member or designated groups of Dealer Members as contemplated by the Industry Agreement or other arrangements and to fully cooperate with the IPF, and its staff and advisers, in connection with such reviews; and

(e) shall comply with such actions as the IPF may direct the Corporation to take with respect to a Dealer Member, or with such actions as the IPF may take on behalf of the Corporation as authorized.

Section 14.5 Notices, Guidelines, Etc.

The Corporation may develop and issue to Regulated Persons such guidelines, notices, interpretations, procedures, practices and other communications relevant to the By-laws and Rules or the business and activities of a Regulated Person or any other person subject to the jurisdiction of the Corporation to supplement or assist in the interpretation, application of and compliance with the By-laws and Rules.

Section 14.6 Continuing Jurisdiction and Discipline and Enforcement under the Rules

(1) Any Regulated Person, in accordance with the provision of any Rule, shall remain subject to the jurisdiction of the Corporation in respect of any action or matter that occurred while that person was subject to the By-laws and Rules, including any predecessor by-laws or rules of IIROC or the MFDA in effect at the time of such action or matter, for such period of time and under such additional conditions as may be provided in the Rules.

(2) The Rules shall provide the practice and procedure to be followed by the Corporation in connection with the commencement and conduct of a disciplinary hearing and shall establish the penalties or remedies that may be imposed by the Corporation on a Regulated Person for failure to comply with any Rules.

Section 14.7 Exchange of Information, Agreements

(1) The Corporation may provide assistance, including the collection and sharing of information (including information obtained by the Corporation pursuant to the By-Laws or Rules or otherwise in its possession) and other forms of assistance for the purpose of market surveillance, investigations, enforcement litigation, investor protection and compensation and for any other regulatory purpose to any exchange, self-regulatory organization, securities regulator, financial intelligence or law enforcement agency or authority, or investor protection or compensation fund, whether domestic or foreign.

(2) The Corporation may enter into an agreement with any entity described in Section 14.7(1) to collect and exchange information (including information obtained by the Corporation pursuant to the By-Laws or Rules or otherwise in its possession) and to provide for any other forms of mutual assistance for the purpose of market surveillance, investigation, enforcement litigation, investor protection and compensation and for any other regulatory purpose.

ARTICLE 15 NO ACTIONS

Section 15.1 No Actions Against the Corporation

No Regulated Person (including in all cases a Member whose rights and privileges have been suspended or terminated and a Member who has been expelled from the Corporation or whose membership has been forfeited) shall be entitled, subject to the rights of appeal granted under the By-laws, Rules or applicable securities legislation, and further subject to any specific contractual rights that a Regulated Person may have in respect of a contract or other agreement to which the Corporation is a party, to commence or carry on any action or other proceedings against the Corporation or against the Board, or any Indemnified Party, against the IPF, its Board, any of its committees or its officers, employees and agents, in respect of any penalty imposed or any act or omission done or omitted under the provisions of and in compliance with or intended compliance with the provisions of the Articles, By-laws or Rules and, in the case of the IPF, done or omitted under the provisions of and in compliance with or intended compliance with the provisions of its letters patent or articles, by-laws and policies, and in any case under any legislation or regulatory directives or agreements thereunder.

Section 15.2 No Liabilities Arising in Respect of Entities in which Corporation Holds an Interest

The Corporation shall not be liable to a Regulated Person (including in all cases a Member whose rights and privileges have been suspended or terminated and a member who has been expelled from the Corporation or whose membership has been forfeited) for any loss, damage, costs, expense, or other liability arising from any act or omission of any corporation or other entity in which the Corporation holds an equity or participating interest, including without limitation FundSERV Inc.

ARTICLE 16 USE OF NAME OR LOGO: LIABILITIES: CLAIMS

Section 16.1 Use of Name

No Member shall use the name or logo of the Corporation or its predecessors, including IIROC or the MFDA, on letterheads or in any circulars or other advertising or publicity matter, except to the extent and in such form as may be authorized by the Board. The Board may at its sole discretion require a Member to cease using the name or logo of the Corporation. Any use by a Member of the name or logo of the Corporation shall not have the effect of granting to the Member any proprietary interest in the Corporation's name or logo.

Section 16.2 Liabilities

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

Section 16.3 Claims

Whenever the membership of a Member ceases for any reason whatsoever, neither the former 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.

ARTICLE 17 TRANSITION PERIODS FOR BY-LAWS AND RULES

Section 17.1 Transition Periods for By-laws and Rules

The Board may suspend or modify the application of any By-law or Rule, or provision thereof, for such period of time as it may determine in its sole discretion in order to facilitate the orderly application of and compliance with such By-law or Rule to or by all or any number or class of Regulated Persons. Any suspension or modification may be made either before or after the relevant By-law or Rule has become effective, and notice of the suspension or modification shall be given promptly to all Regulated Persons and to the securities regulatory authority in any jurisdiction where such By-law or Rule would otherwise be in effect. No suspension

or modification shall unreasonably discriminate between Members or other persons subject to the jurisdiction of the Corporation and no such modification shall impose on all or any of the Members or other persons subject to the jurisdiction of the Corporation a requirement that is more onerous or strict than the requirements of the By-law or Rule that is subject to the modification.

ARTICLE 18 AMENDMENT, REPEAL, ENACTMENT OF BY-LAWS

Section 18.1 By-laws

(1) The Board may, by resolution, make, amend, or repeal any By-laws that regulate the activities or affairs of the Corporation and shall submit the By-law, amendment, or repeal to the Members at the next meeting of Members. The Members may, by resolution in accordance with Section 4.7(c), confirm, reject, or amend the By-law, amendment, or repeal. The By-law, amendment, or repeal shall only be effective from the date on which the Members confirm, reject, or amend the By-law, amendment, or repeal.

(2) The right of Members to vote to confirm, reject or amend a By-law, or exercise other rights granted to Members under the Act, is subject to the authority, pursuant to applicable securities laws and the Recognition Orders, of the securities commissions and securities regulatory authorities to make any decisions relating to the By-laws of Corporation. In the event of an inconsistency between the By-laws and any direction provided by a securities commission or securities regulatory authority to the Corporation, the direction provided by the securities commission or securities regulatory authority will govern.

(3) The By-law shall become effective at the effective time of the Amalgamation and at such time the By-laws of the predecessors of the Corporation shall be repealed. Such repeal shall not affect the previous operation of any By-law or affect the validity of any act done or right or privilege, obligation, or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to any such By-law prior to its repeal. All directors, officers, and person acting under any By-law so repealed shall continue to act as if appointed under the provisions of this By-law and all resolutions of the Members and of the Board with continuing effect passed under any repealed By-law shall continue as good and valid except to the extent inconsistent with this By-law and until amended or repealed.

ARTICLE 19 PUBLIC ACCOUNTANT

Section 19.1 Public Accountant

The Members shall, at each annual meeting, appoint a public accountant to audit the accounts of the Corporation for report to the Members at the next annual meeting. The public accountant shall hold office until the next annual meeting provided that the Directors may fill any casual vacancy in the office of the public accountant. The Corporation's public accountant may not be a Director, officer or employee of the Corporation or of an affiliated Corporation or associated with that Director, officer or employee. The remuneration of the public accountant shall be fixed by the Board.

ARTICLE 20 BOOKS AND RECORDS

Section 20.1 Books and Records

The Board shall see that all necessary books and records of the Corporation required by the By-laws of the Corporation or by any applicable statute or law are regularly and properly kept, including maintaining the confidentiality of such books and records when applicable.

SCHEDULE 2

DRAFT INTERIM RULES OF THE NEW SRO

The Draft Interim Rules of the New SRO include:

(i) Introduction

(ii) Investment Dealer and Partially Consolidated Rules

(iii) Mutual Fund Dealer Rules

(iv) Mutual Fund Dealer Form 1

(v) Universal Market Integrity Rules

The Draft Interim Rules, blacklined to the current rules, including the links to the FAQs developed by IIROC and the MFDA, are available in electronic format only within the *CSA Staff Notice and Request for Comment 25-304, Application for Recognition of New Self-Regulatory Organization* located at the SRO section of the OSC website at www.osc.ca: Industry / Market regulation / Self-regulatory organizations (SRO).

SCHEDULE 3

DRAFT TERMS OF REFERENCE FOR NEW SRO'S INVESTOR ADVISORY PANEL

NEW SRO INVESTOR ADVISORY PANEL / TERMS OF REFERENCE

Article 1 – Mandate

The New SRO Investor Advisory Panel (IAP) is an independent, voluntary, advisory panel to New SRO staff. The mandate of the IAP is to advise the New SRO on regulatory issues and other matters of public interest in order to assist the New SRO in the effective fulfillment of its public interest mandate and to convey issues of concern to investors for consideration by the New SRO. The mandate of the IAP includes providing input and advice on investor protection and access to advice initiatives with a view to addressing gaps relating to under-served investors and promoting diversity, inclusiveness and equity.

The IAP will provide input to the New SRO during the early stages of development of annual priorities, strategic plans, policies, rules, discussion papers and other regulatory initiatives. The IAP may advise and comment in writing on such policy, rules proposals, discussion papers or other regulatory initiatives of the New SRO that are published for comment and potentially of other organizations as appropriate and relevant to the New SRO mandate. The IAP shall endeavour to maintain consistent dialogue with New SRO staff carrying out key operational and regulatory functions in order to further inform IAP member deliberations and enhance the advice the IAP provides to the New SRO.

The IAP may raise current and emerging policy issues to New SRO that it identifies based on consultations or IAP members' opinions as experts in the subject matter of the issue, and comment on the potential implications for investors posed by those issues.

The IAP may engage in independent research projects as needed to assist the New SRO in the fulfillment of its public interest mandate.

Article 2 – Membership

2.1 Selection. Members will be selected through a public application process administered by New SRO staff. Membership applications will be reviewed by a nominating committee comprised of members of the New SRO's Governance Committee and Executive Management. The decision on selection of members will be made by the New SRO's Governance committee.[1]

In selecting the membership, consideration will be given to the candidate's relevant expertise (as discussed below) and the desire to achieve a membership with diverse experiences, perspectives, backgrounds, knowledge and representation from across Canada.

Applicants shall disclose any conflict of interest between the private interests of the applicant and the potential future responsibilities of the applicant as an IAP member in their application for membership, consistent with the requirements of Article 4.4.

2.2 Composition. IAP will consist of a minimum of five (5) and a maximum of eleven (11) members.

2.3 Experience. Membership will consist of individuals with experience on matters of investor protection, concerns, issues or rights. Membership should consist of individuals with varied expertise taking into consideration diversity and geographic location to ensure broad and diverse representation of investors' views. Areas of expertise include:

- Investor education
- Consumer protection and outreach
- Seniors and/or vulnerable investor issues
- Younger and first-time investor issues
- Issues relating to under-served investors and communities
- Specific business models and products
- Professional regulation

[1] The New SRO Governance Committee members are all independent directors.

- Government public policy
- Financial services
- Academics with a focus on securities regulation, consumer protection, investor rights or behavioural research

2.4 Terms. Members are generally appointed for two-year terms and cannot serve more than two consecutive terms. Some Members may be appointed to the inaugural IAP for a three-year term in order to stagger the turnover in IAP composition in subsequent years, to ensure effective functioning of the IAP. If a Member resigns before the end of their term, a new Member may be selected pursuant to the appointment process set out above.

2.5 Membership on other Investor Advisory Panels. Being a member on an investor advisory panel of another organization shall not disqualify an individual from applying for membership on the IAP or continuing to participate as a member of the IAP.

2.6 Chair. Members of the IAP will select a Chair whose responsibilities will include:

- Leading and managing IAP activities
- Coordinating IAP public comment submissions
- Preparing agendas for IAP meetings
- Chairing IAP meeting
- Monitoring the effectiveness of the IAP in achieving its mandate
- Ensuring that members speak with a cohesive voice on behalf of the IAP

2.7 Vice-Chair. Members of the IAP will select a Vice-Chair to act as Chair in case of the Chair's absence. In the event both the Chair and Vice-Chair are absent from a meeting, the members present shall choose one of their members to chair the meeting.

2.8 Removal of Members. If an IAP member is no longer able to meet the specified responsibilities, that member shall so advise the New SRO and shall resign from the IAP. If the IAP forms the view that a member is not meeting the specified responsibilities or has breached expected ethical and professional standards of conduct, the IAP shall be free to remove the member from the IAP.

2.9 Honorarium. Members of the IAP will receive an honorarium for their participation on the IAP.

Article 3 – Meetings

3.1 Frequency. The IAP will meet at least quarterly. The Chair of the IAP may schedule up to six additional meetings to fulfill the IAP's mandate without requiring approval of the New SRO.

3.2 Attendance. IAP members are expected to attend most meetings and must maintain a good attendance record as the presence of a majority of the members shall be necessary to constitute a quorum for the transaction of business at any meeting of the IAP.

3.3 Agendas. Meeting agendas shall be made public and set out at a minimum the dates of meetings, Member attendance and the topics discussed.

Article 4 – IAP Responsibilities

4.1. Effective execution of Mandate. Members must participate in the activities of the IAP and work collaboratively and effectively to execute the IAP's mandate.

4.2 Honesty, Integrity and Good Faith. Members must act with honesty, integrity and in good faith when executing their duties as part of the IAP.

4.3 Confidentiality. Members must maintain the confidentiality of information provided to the IAP by the New SRO including documents provided or the content or existence of any discussions held between them or the New SRO, unless specific consent is provided by the New SRO. Members shall not use, directly or indirectly, any information obtained or discovered as a result of their work on the IAP, for anything other than the IAP's activities.

4.4 Conflicts of Interest. IAP members must conduct themselves in a manner consistent with their role as advisors to the New SRO. If a conflict arises between the private interests of an IAP member and the responsibilities of that individual as an IAP

member, the member shall disclose the conflict by submitting a letter to the New SRO Governance Committee outlining the nature of the conflict. The Governance Committee shall resolve the conflict in favour of the public interest.

IAP members may be in a conflict of interest if any employment, business, financial or other personal considerations could interfere with their ability to express opinions on investor issues being considered by the panel.

Article 5 – Reporting and Accountability

5.1 Meetings with and reporting to the New SRO Board. The IAP Chair must meet with the New SRO Board at least annually in addition to meeting with the New SRO executives. The IAP will provide a written report annually to the New SRO Board on its activities and performance against its mandate.

5.2 Annual Report. The IAP will publish a report annually on its activities for the preceding year on the New SRO public website.

Article 6 – Role of the New SRO

6.1 Liaison. The New SRO's Investor Office is the liaison between the IAP and the New SRO staff and serves as the Secretary to the IAP. The New SRO will respond to all formal communications from the IAP.

6.2 Administrative Support. The IAP will receive necessary administrative support from the New SRO to enable the IAP to operate effectively and will receive access to information as reasonably required.

SCHEDULE 4

QUÉBEC REQUIREMENTS

21. Requirements for Québec

a) [New SRO] shall maintain a Québec district, which shall have clearly defined responsibilities in the matter of regulation, membership, sales compliance, financial compliance, markets monitoring, trade desk reviews and enforcement of the rules applicable to its Dealer Members, Market Members and Approved Persons.

b) The Québec district shall maintain a place of business in Québec, and any decision concerning the supervision of its self-regulatory activities and the Dealer Members, Market Members and Approved Persons of Québec shall be made principally by persons residing in Québec.

c) The most senior officer responsible for the Québec district shall report directly to the CEO of [New SRO].

d) The Québec district shall offer its members and the investing public all necessary services in French so as to provide a quality of service equivalent to that offered in English in other offices of [New SRO].

e) The Québec district shall ensure that French is the language used in all communications and correspondence with the AMF.

f) [New SRO] shall obtain the prior approval of the AMF before making a change to the organizational and administrative structure of the Québec district that might have an impact on its functions and activities in Québec, and on the exercise of its decision-making powers, notably as regards the financial, human and material resources allocated to the Québec district.

g) The Québec district shall have a separate budget which must be approved by the Board. The latter shall allocate to the Québec district the necessary resources and support to fulfil its duties, powers and activities, including material, informational, and financial support, and human resources support.

h) The Québec district shall report to the AMF biannually on its staffing of each position, specifying the positions that are authorized, filled and vacant, as well as on major staff reductions or changes, for each position.

i) The Québec district shall report to the AMF upon request, through its most senior officer responsible for the Québec district, on the manner in which it exercises its functions and powers and performs its activities.

j) [New SRO] recognizes that the AMF, pursuant to the *Act respecting the regulation of the financial sector*, CQLR c. E-6.1 ("LESF") and the *Québec Securities Act*, CQLR c. V-1.1 ("LVM"), has established a specific regulatory framework for the management of complaints and disputes ("LESF/LVM process"). [New SRO] recognizes that the complaints and disputes management process stipulated in its rules or in any other document shall not have the effect of limiting the application of the LESF/LVM process. [New SRO] undertakes to comply with and promote the LESF/LVM process, including the terms and conditions and time frames provided in the LESF and LVM and to cooperate fully in regard to its administration.

k) In the event of an incompatibility or a divergence between the LESF/LVM process and that of [New SRO], the LESF/LVM process shall prevail.

l) It is expressly understood that the coexistence of the LESF/LVM process and that of [New SRO], as provided in paragraph j) above, shall not constitute, either directly or indirectly, an agreement relative to the examination of complaints made by persons who are dissatisfied with their examination or the result of said examination, or to the mediation between interested parties pursuant to section 33.1 of the LESF.

m) [New SRO] recognizes and undertakes to respect the applicable laws of Québec.

n) [New SRO] shall ensure that firms registered as mutual fund dealers in Québec (« MFDs registered in Québec ») benefit from an adequate transition period, the duration of which shall be agreed upon with the AMF, for their integration with [New SRO] in regard to their activities in Québec.

o) During the transition period, [New SRO] for the activities carried out by MFDs in Québec:

i. shall ensure that its bylaws, rules, decisions, notices or other instruments that do not apply to MFDs registered in Québec, with the exception of provisions required to ensure the smooth operation of [New SRO], as well as the implementation of the requirements stipulated in paragraph n) and in subparagraphs ii and iii of this paragraph o),

ii. shall authorize MFDs registered in Québec to participate as members in the consultations of [New SRO] and on the committees that the latter shall create,

iii. shall ensure that MFDs registered in Québec pay [New SRO] a reduced fee, the amount of which shall be proportional to the services offered to them.

p) [New SRO] shall obtain the prior approval of the AMF before making any change to its bylaws, rules, decisions, notices or other instruments concerning elements that are subject to the requirements stipulated in paragraphs n) and o) with the goal of ending or changing the conditions applicable to the transitional period, or before taking any action that might have the effect of forcing an MFDs registered in Québec to subscribe to the guarantee fund of [New SRO] for its activities in Québec.

APPENDIX B

DRAFT RECOGNITION ORDER FOR THE NEW SRO

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

AND

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20, AS AMENDED
(CFA)

AND

IN THE MATTER OF
[NEW SRO]

RECOGNITION ORDER
(Subsection 21.1(1) of the Act and Subsection 16(1) of the CFA)

WHEREAS the Ontario Securities Commission (the **Commission**) issued an order dated May 16, 2008, as amended on May 28, 2010, March 9, 2018, and October 22, 2020, recognizing the Investment Industry Regulatory Organization of Canada (**IIROC**) as a self-regulatory organization under subsection 21.1(1) of the Act and subsection 16(1) of the CFA.

AND WHEREAS the Commission issued an order dated February 6, 2001, as amended on March 30, 2004, November 3, 2006, October 28, 2008, December 12, 2008, October 29, 2014, March 9, 2018, and October 22, 2020, recognizing the Mutual Fund Dealers Association of Canada (the **MFDA**) as a self-regulatory organization under subsection 21.1(1) of the Act.

AND WHEREAS following public consultations, the Canadian Securities Administrators (**CSA**) published CSA Position Paper 25-404 – *New Self-Regulatory Organization Framework*, recommending amalgamation of IIROC and the MFDA into a single self-regulatory organization in order to provide a framework for efficient and effective regulation in the public interest, including an enhanced governance structure, improved investor protection and education, and strengthened industry proficiency.

AND WHEREAS [New SRO] will, among other things, regulate mutual fund dealers, investment dealers and the trading on Marketplace Members, as defined in Appendix A to this order (**Recognition Order**); and perform the functions identified in section 15 *Performance of [New SRO] functions* of Appendix A to this Recognition Order.

AND WHEREAS [New SRO] will act as a regulation services provider in accordance with National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules.*

AND WHEREAS [New SRO] has committed to a strong corporate governance structure with a majority of independent directors on [New SRO]'s board of directors and its committees.

AND WHEREAS [New SRO] has committed to establish formal investor advocacy mechanisms to ensure proper investor input in policy development and rulemaking.

AND WHEREAS [New SRO] has adopted interim rules which include (i) the Investment Dealer and Partially Consolidated Rules, (ii) the Universal and Market Integrity Rules and (iii) the Mutual Fund Dealer Rules, which are largely based on the rules of IIROC and the rules and certain by-laws and policies of the MFDA that were in force immediately prior to amalgamation. [New SRO] has adopted, as applicable, policies, regulations, forms, notices, regulatory notices, bulletins, directives, guidance and fee models of IIROC and the MFDA that were in force immediately prior to amalgamation.

AND WHEREAS IIROC and the MFDA have applied to the Commission for recognition of [New SRO] as a self-regulatory organization under subsection 21.1(1) of the Act and subsection 16(1) of the CFA (**Application**) to operate as a successor to IIROC and the MFDA following their amalgamation under the *Canada Not-for profit Corporations Act*.

AND WHEREAS [New SRO] has also applied to the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of

the Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; and Office of the Yukon Superintendent of Securities (together with the Commission, the **Recognizing Regulators**).

AND WHEREAS the Recognizing Regulators have entered into a Memorandum of Understanding regarding oversight of [New SRO] (**MOU**) effective [●], as amended from time to time.

AND WHEREAS IIROC and the MFDA are consolidating through amalgamation to continue as [New SRO], references to IIROC and the MFDA in the existing regulations, rules, orders, policies, notices or other instruments (**Provisions**) in the jurisdictions of the Recognizing Regulators will be treated and interpreted as references to [New SRO] until the appropriate consequential amendments are implemented, if considered necessary. Whenever a Provision assigns requirements or privileges exclusively to either investment dealers or mutual fund dealers, who, prior to the amalgamation, were members of IIROC and the MFDA respectively, it is to be understood that such requirements and privileges shall apply exclusively to either investment dealers or mutual fund dealers of the [New SRO], as applicable.

AND WHEREAS based on the Application and the representations made by IIROC and the MFDA, the Commission is satisfied that recognizing [New SRO] as a self-regulatory organization is in the public interest.

AND WHEREAS the Commission may, if it is satisfied that to do so would be in the public interest, make any decision with respect to any by-law, rule, regulation, policy, procedure, interpretation or practice of a [New SRO].

AND WHEREAS the Commission may, if it is satisfied that to do so would not be prejudicial to the public interest, make an order revoking or varying this Recognition Order or any orders for IIROC and the MFDA.

IT IS ORDERED, under subsection 21.1(1) of the Act and under subsection 16(1) of the CFA, that [New SRO] is recognized as a self-regulatory organization, subject to the terms and conditions set out in Appendix A to this Recognition Order and the applicable provisions of the MOU.

Dated this [●], effective [●].

“ ”	“ ”
Commissioner Ontario Securities Commission	Commissioner Ontario Securities Commission

Appendix A
TERMS AND CONDITIONS

Definitions

1. General

Unless otherwise defined or interpreted in this Recognition Order, every term used in this Recognition Order that is defined in subsection 1.1(3) of National Instrument 14-101 – *Definitions* has the meaning ascribed to it in that subsection.

"Affiliated Entity" has the meaning ascribed to it in subsection 1.3(1) of National Instrument 52-110 *Audit Committees.*

"Approved Person" has the meaning ascribed to that term in [New SRO]'s Rules.

"Associate", where used to indicate a relationship with any person, means:

(a) any company of which such person beneficially owns, directly or indirectly, voting securities carrying more than ten percent (10%) of the voting rights attached to all voting securities of the company for the time being outstanding;

(b) a partner of that person;

(c) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity;

(d) any relative of that person who resides in the same home as that person;

(e) any person who resides in the same home as the person and to whom that person is married or with whom that person is living in a conjugal relationship outside of marriage; or

(f) any relative of a person mentioned in clause (e) above, who has the same home as that person.

"Board" means the Board of Directors of the Corporation.

"Corporation" means [New SRO] and either of its predecessors and any Affiliated Entity.

"Dealer Member" means a Member of the Corporation that is registered as an investment dealer or a mutual fund dealer in accordance with securities legislation.

"Director" means a member of the Board.

"District" has the meaning ascribed to it in the [New SRO] by-laws.

"Enforcement proceeding" means any proceeding commenced by [New SRO] for the purposes of enforcement, including but not limited to a disciplinary hearing and settlement hearing.

"Executive Officer" has the meaning ascribed to it in section 1.1 of National Instrument 52-110 *Audit Committees.*

"Immediate Family Member" has the meaning ascribed to it in section 1.1 of National Instrument 52-110 *Audit Committees.*

"Marketplace" means:

(a) a recognized exchange or a commodity futures exchange registered in a jurisdiction of Canada;

(b) a recognized quotation and trade reporting system; or

(c) a person or company not included in clause (a) or (b) above that facilitates the trading of securities or derivatives in a jurisdiction of Canada; and

(i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities or derivatives;

(ii) brings together the orders for securities or derivatives of multiple buyers and sellers; and

(iii) uses established non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade.

"Marketplace Member" means a Member that is a Marketplace.

"Member" means a member of the Corporation and includes Dealer Members and Marketplace Members.

"Monetary sanctions" means any fines or other monetary amounts, including disgorgement, ordered in or arising from an Enforcement Proceeding or any other measure taken by [New SRO]. Monetary sanctions do not include costs ordered in Enforcement Proceedings.

"Region" has the meaning ascribed to it in the [New SRO] by-laws.

"Regional Council" has a meaning ascribed to it in the [New SRO] by-laws.

"Recognizing Regulators" means the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of the Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Ontario Securities Commission; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; and Office of the Yukon Superintendent of Securities.

"Rule" means any rule, policy, form, fee model or other similar instrument of [New SRO].

"[New SRO] MOU" means Memorandum of Understanding regarding oversight of [New SRO].

Definition of Independent Director

2. (1) **"Independent Director"** means a Director who has no direct or indirect material relationship with the Corporation or a Member.

(2) For the purposes of subsection (1), a "material relationship" is a relationship which could be reasonably expected to interfere with the exercise of a Director's independent judgment.

(3) Despite subsection (1), the following individuals are considered to have a material relationship with the Corporation or a Member:

(a) an individual who is, or has been within the last three years, an employee or Executive Officer of the Corporation;

(b) an individual whose Immediate Family Member is, or has been within the last three years, an Executive Officer or non-independent director of the Corporation;

(c) an individual who, or whose Immediate Family Member, is or has been within the last three years, an Executive Officer of an entity if any of the Corporation's current Executive Officers serves or served at that same time on the entity's compensation committee;

(d) an individual who received, or whose Immediate Family Member who is employed as an Executive Officer of the Corporation received, more than $75,000 in direct compensation from the Corporation during any 12-month period within the last three years;

(e) an individual who is, or has been within the last three years, a partner, director, officer, employee, or person acting in a similar capacity of:

(i) a Member,

(ii) an Associate of a Member, or

(iii) an Affiliated Entity of a Member; and

(f) an individual who is, or has been within the last three years, an Associate of a partner, director, officer, employee, or person acting in a similar capacity of a Member.

(4) For the purposes of paragraph (3)(d), direct compensation does not include:

(a) remuneration for acting as a member of the Board or of any Board committee of the Corporation; and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

(5) Despite subsection (3), an individual will ordinarily not be considered to have a material relationship with the Corporation solely because the individual or his or her Immediate Family Member

(a) has previously acted as an interim Chief Executive Officer (**CEO**) of the Corporation; or

(b) acts, or has previously acted, as a chair or vice-chair of the Board or of any Board committee of the Corporation on a part-time basis.

(6) If, despite the three-year cooling-off period described in paragraphs 3(e) and (f), the nature or duration of an individual's relationship with a Member, its Associates, or its Affiliated Entities could be reasonably expected to interfere with the exercise of that individual's independent judgment, then a sufficiently longer cooling-off period from the Member, Associate, and Affiliated Entity is required for that individual to be considered an Independent Director.

(7) Despite any determination made under subsections (2) to (6), an individual is considered to have a material relationship with the Corporation if the individual

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board or any Board committee, or as a part-time chair or vice-chair of the Board or any Board committee; or

(b) is an Affiliated Entity of the Corporation or any of its subsidiary entities.

(8) For the purposes of subsection (7), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

(a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or Executive Officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Corporation or any subsidiary entity of the Corporation.

(9) For the purposes of subsection (7), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Corporation if the compensation is not contingent in any way on continued service.

Recognition criteria

3. [New SRO] must continue to comply with the criteria attached at Schedule 1.

Public interest

4. (1) [New SRO] must act in the public interest. In ensuring it meets the public interest mandate, the [New SRO] must:

(a) articulate in its constating documents and inform its stakeholders, and the public in general, of its public interest mandate;

(b) take reasonable steps to ensure that appropriate training is provided to its Directors, Board committee members, senior management, and staff in interpreting the [New SRO's] public interest mandate; and

(c) ensure that the compensation structure of its Executive Officers and senior management is appropriately linked to the effective delivery of the [New SRO's] public interest mandate.

Approval of changes

5. (1) Prior Commission approval is required for any changes to the following:

(a) the corporate governance structure of [New SRO];

(b) [New SRO]'s articles of amalgamation;

(c) the charter of the Board and each of its committees; and

(d) the assignment, transfer, delegation or sub-contracting of the performance of all or a substantial part of its regulatory functions or responsibilities as a self-regulatory organization.

(2) Prior Commission approval is required for material changes to the following:

(a) the fee model;

(b) the functions [New SRO] performs;

(c) [New SRO]'s organizational structure, including the location of New SRO offices or regulatory staff;

(d) the activities, responsibilities, and authority of the Regional Councils;

(e) Regions and Districts of the Corporation; and

(f) any regulation services agreement entered into by the [New SRO].

Non-objection to changes

6. (1) Prior Commission non-objection, as described in the Appendix A of the [New SRO] MOU, is required for the following:

(a) nomination of each candidate for an Independent Director position;

(b) appointment of the CEO;

(c) changes to Board skills matrices;

(d) changes to the CEO skills sub-matrix; and

(e) approval of a Board exemption, or an amendment or extension to a Board exemption, from a Rule that could have a significant impact on:

(i) Members and others subject to [New SRO]'s jurisdiction, or

(ii) the capital markets generally, including, for greater clarity, particular stakeholders or sectors.

Commission oversight

7. (1) [New SRO] must seek input from the Commission before finalizing its strategic and business plans, annual statements of priorities and budgets.

(2) [New SRO] must cooperate and assist with any reviews of its functions by the Commission or an independent third-party that is acting at the direction of the Commission.

(3) The scope of the independent third-party review, referred to in subsection (2), and the person or the persons that will undertake the review will be determined by the Commission. Such review will be at the [New SRO]'s expense, including [New SRO] reimbursing the Commission for any fees, when required.

Status

8. (1) [New SRO] must operate on a not-for-profit basis.

(2) [New SRO] must comply with any terms and conditions the Commission may impose in the public interest concerning any transaction that would result in [New SRO]:

(a) ceasing to perform its functions;

(b) discontinuing, suspending or winding-up all or a significant portion of its operations;

(c) disposing of all or substantially all of its assets; or

(d) terminating its agreement with an information technology service provider providing critical technology systems.

Rules and rule-making

9. [New SRO] must act in accordance with the process for introducing new or amending, revoking or suspending existing by-laws and Rules outlined in Appendix C of the [New SRO] MOU, as amended from time to time. For any proposal to be published for public comment, [New SRO] must consider and clearly articulate why the proposal is in the public interest.

Governance

10. (1) The Board

[New SRO] must ensure that:

(a) it maintains a Board size of not more than 15 Directors;

(b) the roles of CEO and chair of the Board are occupied by separate persons;

(c) a majority of the Board, including the chair, are Independent Directors;

(d) it maintains appropriate term limits for the Board; and

(e) it develops, maintains and complies with diversity and inclusion policies.

(2) Board committees

[New SRO] must ensure that:

(a) the governance committee of the Board is composed entirely of Independent Directors;

(b) other Board committees are composed of a majority of Independent Directors; and

(c) chairs of all Board committees are Independent Directors.

(3) Regional Councils

[New SRO] will establish Regional Councils according to its by-laws. The Regional Councils will serve an advisory role to [New SRO] to provide regional perspective on national or any other issues. The [New SRO] will allocate sufficient resources to the Regional Councils to ensure they can meaningfully fulfil their responsibilities. The Regional Councils will report to the Board at least annually.

Fees

11. [New SRO] must develop an integrated fee model to be approved by the Commission. Until such time, [New SRO] must seek authorization from the Commission for any increase in fees for Dealer Members that are not registered as both investment and mutual fund dealers where such increase is related to the costs of creation of [New SRO].

Investor engagement and protection

12. (1) [New SRO] must create mechanisms to educate and formally engage with investors, including for the purpose of obtaining input on the design and implementation of applicable Rule proposals. In particular, the [New SRO] must:

(a) establish an investor advisory panel to provide independent research or input on regulatory and public interest matters. The Board must meet with the investor advisory panel at least annually in addition to [New SRO] executives meeting with the investor advisory panel;

(b) establish a separate investor office within the [New SRO] to support Rule development and provide investor education or outreach. The investor office must be prominently positioned, easily identifiable and accessible to investors;

(c) ensure that appropriate [New SRO] advisory committees include a reasonable proportion of investor representatives; and

(d) maintain a whistleblower program.

Due process

13. Subject to applicable laws and the Rules and by-laws of [New SRO], before rendering a decision that affects the rights of a person or company in relation to membership, registration, or enforcement matters, [New SRO] must provide that person or company an opportunity to be heard.

Record keeping

14. (1) [New SRO] must keep records of all matters subject to regulatory approvals by [New SRO] under the Rules and [New SRO] by-laws for an appropriate time period in accordance with legal and industry standards for record retention, including but not limited to:

(a) all granted membership requests, specifying the persons to whom membership was granted and the basis for its decision; and

(b) all denied membership requests or terms and conditions imposed on membership, specifying the basis for its decision.

Performance of [New SRO] functions

15. (1) [New SRO] must set Rules governing its Dealer Members and others subject to its jurisdiction, and [New SRO] must set Rules governing trading on Marketplace Members by Dealer Members and others subject to its jurisdiction.

(2) [New SRO] must administer and monitor compliance with both the applicable Rules and Canadian securities legislation by Members and others subject to its jurisdiction and enforce compliance with the Rules by Dealer Members, including alternative trading systems, and others subject to its jurisdiction.

(3) In its capacity as a regulation services provider, [New SRO] must administer, monitor and/or enforce rules pursuant to a regulation services agreement.

(4) [New SRO], through its Directors, officers and employees, must be responsible for all membership matters while giving consideration to any regional issues raised by the Regional Councils on an advisory basis.

(5) Subject to applicable legislation, [New SRO] must:

(a) collect, use and disclose personal information only to the extent reasonably necessary to carry out its regulatory activities and mandate; and

(b) protect personal information and confidential business information in its custody or under its control.

(6) [New SRO] must adopt policies and procedures designed to ensure that confidential information, including personal information, related to its operations or those of any Dealer Member, Marketplace Member or marketplace participant, is maintained in confidence and not shared inappropriately with other persons, and must use all reasonable efforts to comply with these policies and procedures.

(7) [New SRO] must ensure that it is accessible for contact by the public for purposes relating to the performance of its functions as a self-regulatory organization.

(8) [New SRO] must develop and make available to the public processes for handling complaints against the [New SRO], including appropriate escalation procedures.

(9) [New SRO] must publish concurrently in English and French each document issued to the public or generally to any class of Members.

(10) [New SRO] must, at least annually, self-assess the performance of its functions, and report thereon to its Board, together with any recommendations for improvements.

(11) [New SRO] must provide to the Commission any data, information or records concerning Marketplace activity in order, among other things, to facilitate the efficient identification and analysis of market misconduct and improvement of the insight into Canadian capital markets and market structures.

Use of Monetary Sanctions

16. (1) All Monetary Sanctions collected by [New SRO] may only be used, directly or indirectly, in the public interest as follows:

(a) as approved by the governance committee,

(i) for the development of systems or other related expenditures that are necessary to address emerging regulatory issues and are directly related to protecting investors or the integrity of the capital markets, provided that any such use does not constitute normal course operating expenses,

(ii) for education or research projects that are directly relevant to the investment industry, and which benefit the public or the capital markets,

(iii) for specific funding related to a whistleblower program, provided that any such use does not constitute normal course operating expenses,

(iv) to contribute to a non-profit, tax-exempt organization, the purposes of which include protection of investors, or those described in paragraph (a)(ii), or

(v) for such other purposes as may be subsequently approved by the Commission;

or

(b) for reasonable costs associated with the administration of [New SRO]'s investor office, investor advisory panel and [New SRO]'s hearings.

(2) The process to allocate such Monetary Sanctions must be fair and transparent.

Public Notice of Enforcement Proceedings

17. (1) Subject to subsection (2) and applicable laws, [New SRO] must

(a) promptly notify the public and the news media of:

(i) the specifics relating to each Enforcement Proceeding commenced by [New SRO], and

(ii) the disposition of each Enforcement Proceeding, including reasons; and

(b) ensure that Enforcement Proceedings are open to the public and the news media.

(2) Despite subsection (1), [New SRO] may, on its own initiative or on request of a party to the Enforcement Proceeding, or as permitted by its Rules, conduct a closed-door hearing or prohibit the publication or release of information or documents if it determines that it is required for the protection of confidential matters. [New SRO] must establish written criteria for making a determination of confidentiality.

Capacity and integrity of systems

18. (1) [New SRO] must

(a) ensure that each of [New SRO]'s critical technology systems has

(i) appropriate internal controls to ensure integrity and security of information and data, and

(ii) reasonable and sufficient capacity, and backup to enable [New SRO] to properly carry on its business;

(b) have controls to manage the risks associated with its operations, including an annual review of its contingency and business continuity plan.

(2) [New SRO] must, on a reasonably frequent basis, and in any event at least annually, cause to be performed an independent review of the controls and capacity described in subsection (1) above in accordance with established audit procedures and standards. The Board must conduct a review of the report containing the recommendations and conclusions of the independent review. [New SRO] must also, on a reasonably frequent basis, and in any event at least annually, complete the following, which may be completed as part of the independent review:

(a) make reasonable current and future capacity estimates for its critical technology systems;

(b) conduct capacity stress tests to determine the processing capability of those systems to perform its functions in an accurate, timely and efficient manner;

(c) review and keep current the development and testing methodology of those systems; and

(d) review the vulnerability of those systems to internal and external threats including, but not limited to, cyber attacks, physical hazards or natural disasters.

(3) The term and condition in subsection (2) above will not apply if:

(a) the information technology provider retained by [New SRO] is required, either by law or otherwise, to conduct an annual independent review; and

(b) [New SRO]'s Board obtains and reviews annually a copy of the independent review report of its information technology provider to ensure that it has controls in place to address the matters outlined in paragraphs (1) and (2) above.

(4) [New SRO] must, periodically or at the request of the Commission, benchmark surveillance systems and services provided by its information technology providers against comparable systems and services available from other third-party technology providers.

Capacity and integrity of continuing education tracking system

19. (1) The [New SRO] must ensure that its continuing education tracking system, has

(a) appropriate internal controls to ensure integrity and security of information; and

(b) has reasonable and sufficient capacity, and backup to enable the [New SRO] to properly carry on its business.

(2) The [New SRO] must on a reasonably frequent basis, and at least biennially, cause a report to be prepared in accordance with established audit standards by a qualified party which provides details of a review designed to ensure that the continuing education tracking system has an adequate system of internal controls, including, but not limited to, integration into the [New SRO] business continuity and disaster recovery plans.

(3) Before finalizing any engagement to prepare the report described in (2), the [New SRO] must discuss the choice of qualified party and scope of the review with the Commission.

Ongoing reporting requirements

20. (1) [New SRO] must comply with the requirements set out in Schedule 2 of this Recognition Order, as amended from time to time by the Commission.

(2) [New SRO] must provide the Commission with other reports, documents and information and data in a format and manner acceptable to the Commission as the Commission or its staff may request.

SCHEDULE 1
CRITERIA FOR RECOGNITION

Public interest guiding principles

1. (1) The [New SRO] must act in the public interest by, without limitation:

(a) protecting investors from unfair, improper, or fraudulent practices by its Members;

(b) fostering fair and efficient capital markets and promoting market integrity;

(c) fostering public confidence in capital markets;

(d) facilitating investor education;

(e) administering a fair, consistent and proportionate continuing education program for all Dealer Members and applicable Approved Persons;

(f) accommodating innovation and ensuring flexibility and responsiveness to the future needs of the evolving capital markets, without compromising investor protection;

(g) providing effective market surveillance;

(h) fostering efficient and effective cooperation and coordination with the Recognizing Regulators to ensure regulatory alignment;

(i) facilitating access to advice and products for investors of different demographics;

(j) recognizing and incorporating regional considerations and interests from across Canada;

(k) facilitating meaningful consultation and input from all types of Members and ensuring that investor perspectives are factored into the development and implementation of regulatory policies;

(l) administering robust compliance, enforcement and complaint handling and resolution processes;

(m) contributing to financial stability, under the direction of the Recognizing Regulators; and

(n) administering effective governance and accountability to all stakeholders and preventing regulatory capture.

Governance

2. (1) The governance structure and arrangements must be transparent and ensure:

(a) effective oversight of the [New SRO];

(b) fair, meaningful and diverse representation on the Board and any committees of the Board;

(c) a proper balance among the interests of the different persons, business models and companies subject to regulation by [New SRO];

(d) a reasonable proportion of the [New SRO] Directors that have relevant experience regarding investor protection issues;

(e) a balanced Board in terms of its geographic representation;

(f) appropriate locations of the Executive Officers;

(g) each Director or Executive Officer is a fit and proper person; and

(h) that there are appropriate provisions related to, remuneration, conflicts of interest, limitation of liability, indemnification and qualifications for Directors, officers and employees of the [New SRO].

Conflicts of interest

3. Subject to applicable legislation, [New SRO] must identify and avoid real, potential or perceived conflicts of interest between its own interests, or the interests of its Directors, officers, or employees and the public interest.

Fees

4. (1) All fees imposed by [New SRO] must be equitably allocated and be proportionate to Members' activities. Fees must not have the effect of creating unreasonable barriers to access.

(2) The process for setting fees must be fair and transparent.

(3) [New SRO] must operate on a cost-recovery basis.

Compensation or contingency trust fund

5. [New SRO] must comply with any agreement signed with the [New IPF].

Access

6. (1) [New SRO] must have reasonable written criteria that permit all persons or companies that satisfy the criteria to access [New SRO]'s regulatory services.

(2) The access criteria and the process for obtaining access must be fair and transparent.

Financial viability

7. [New SRO] must have sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

Capacity to perform [New SRO] functions

8. (1) [New SRO] must maintain its capacity to effectively and efficiently perform its functions, which include governing the conduct of persons or companies subject to its regulation and monitoring and enforcing applicable requirements.

(2) [New SRO] must maintain in each jurisdiction where it has an office

(a) sufficient financial, technological, human and other resources; and

(b) appropriate organizational structures

to efficiently, equitably and effectively perform its functions and responsibilities in a timely manner.

(3) In the course of performing its functions, the [New SRO] must take into consideration the views and processes of the Commission.

Capacity and integrity of systems

9. [New SRO] must develop, implement and maintain adequate controls to ensure capacity, integrity requirements and security of its technology systems.

Rules

10. (1) [New SRO] must establish and maintain Rules that:

(a) are necessary or appropriate to govern and regulate all aspects of its functions and responsibilities as a self-regulatory organization;

(b) are designed to

(i) ensure compliance with applicable securities legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade and the duty of Dealer Members to act fairly, honestly and in good faith with their clients,

(iv) ensure adequate proficiency and continuing education of Approved Persons,

(v) foster cooperation and coordination with entities engaged in regulating, clearing, settling, processing information or data with respect to, and facilitating transactions in, securities and derivatives,

(vi) foster fair, equitable and ethical business standards and practices,

(vii) promote access to advice in different geographic zones, including the servicing of clients in both urban and rural settings,

(viii) allow Members to develop and make use of technological advancements to achieve greater efficiencies and productivity, while mitigating any risks to the investors and the public,

(ix) promote the protection of investors,

(x) be scalable and proportionate to different types and sizes of Dealer Member firms and their respective business models,

(xi) contributing to financial stability, under the direction of the Recognizing Regulators, and

(xii) provide for appropriate discipline of those whose conduct it regulates;

(c) do not impose any burden or constraint on competition or innovation that is not necessary or appropriate;

(d) do not impose costs or restrictions on the activities of market participants that are disproportionate or contrary to the public interest; and

(e) promote the public interest.

Disciplinary matters

11. (1) [New SRO] must develop, make available to the public and follow fair and transparent processes for:

(a) handling disciplinary matters, including assessments of adequacy of firm supervision of Approved Persons;

(b) conducting disciplinary hearings; and

(c) imposing sanctions.

Information sharing and regulatory cooperation

12. (1) To assist the Commission and other Recognizing Regulators in carrying out their regulatory mandates, [New SRO] must proactively and transparently share information or data and cooperate with the Commission and other Recognizing Regulators.

(2) To assist other regulatory authorities in carrying out their regulatory mandates, [New SRO] must proactively and transparently share information or data and cooperate with, whether domestic or foreign:

(a) exchanges;

(b) self-regulatory organizations;

(c) clearing agencies;

(d) financial intelligence or law enforcement agencies or authorities;

(e) banking and financial services authorities; and

(f) investor protection or compensation funds.

(3) Cooperation contemplated under paragraphs (1) and (2) includes the collection and sharing of information or data and other forms of assistance for the purpose of registration, market surveillance, investigations, enforcement litigation, investor protection and compensation and for any other regulatory purpose and is subject to applicable laws related to information sharing and protection of personal information.

Other criteria – Québec

13. The constituting documents, by-laws and Rules of [New SRO] must allow that the power to make decisions relating to the supervision of its activities in Québec will be exercised mainly by persons residing in Québec.

SCHEDULE 2
REPORTING REQUIREMENTS

Prior notification

1. (1) [New SRO] will provide the Commission with at least 12 months' written notice prior to completing any transaction that would result in [New SRO]:

(a) ceasing to perform its functions;

(b) discontinuing, suspending or winding-up all or a significant portion of its operations; or

(c) disposing of all or substantially all of its assets.

(2) [New SRO] will provide the Commission with at least three months' written notice prior to:

(a) terminating its agreement with an information technology service provider providing critical technology systems; or

(b) any intended material change to its agreement with an information technology service provider regarding its critical technology systems.

Immediate notification

2. (1) [New SRO] will immediately notify the Commission of the following events:

(a) the admission of a new Dealer Member, including the Dealer Member's name, and any terms and conditions that are imposed on the Dealer Member;

(b) Dealer Members whose rights and privileges or membership will be suspended, terminated or made subject to terms and conditions, including:

(i) the Dealer Member's name,

(ii) the reasons for the proposed suspension, termination or terms and conditions, and

(iii) a description of the steps being taken to ensure that the Dealer Member's clients are being dealt with appropriately, when applicable.

(c) receipt of a Dealer Member's intention to resign; and

(d) receipt of an application for a Board exemption, or an amendment or extension to a Board exemption, from a Rule that could have a significant impact on:

(i) [New SRO] Members and others subject to [New SRO]’s jurisdiction, or

(ii) the capital markets generally including, for greater clarity, particular stakeholders or sectors.

(2) The notice required in subsection (1), other than in (b) and (d), may be provided by [New SRO] issuing a public notice containing the information, provided that such public notice will be issued immediately after the decision is made for admission and immediately after receipt of a notice of intention to resign, as the case may be.

Prompt notification

3. (1) [New SRO] will provide the Commission with prompt notice of the following events and situations, and in each case describe the circumstances that gave rise to the reportable event or situation, and [New SRO]'s proposed response to ensure resolution, and, if appropriate, provide timely updates:

(a) changes in the members of [New SRO]'s Board and its committees;

(b) situations that would reasonably be expected to raise concerns about [New SRO]'s financial viability, including but not limited to, an inability to meet its expected expenses for the next quarter or the next year;

(c) any determination by [New SRO], or notification from any of the Recognizing Regulators, that [New SRO] is not or will not be in compliance with one or more of the terms and conditions of its recognition in any jurisdiction;

(d) any material violations of applicable securities legislation of which [New SRO] becomes aware in the ordinary course operation of its activities and activities of its Members;

(e) any material failures in the controls described in terms and conditions 18(1)(a)(i) and (ii) of Appendix A of the Recognition Order;

(f) any failure, malfunction, delay or material security incident, including cyber security breaches, of [New SRO]'s critical systems or technology systems that support [New SRO]'s critical systems;

(g) any breach of security safeguards involving information or data under [New SRO]'s control if it is reasonable in the circumstances to believe that the breach creates a real risk of significant harm to investors, issuers, registrants, other market participants, [New SRO], [New IPF] or the capital markets;

(h) actual or apparent misconduct or non-compliance by Dealer Members, Approved Persons, marketplace participants, or others, where investors, clients, creditors, Members, [New IPF] or [New SRO] may reasonably be expected to suffer material damage as a consequence thereof, including but not limited to:

(i) where fraud appears to be present,

(ii) where there is an inadequate compliance system or the Ultimate Designated Person or Chief Compliance Officer fail to perform their responsibilities, or

(iii) where serious deficiencies in supervision or internal controls exist.

(i) situations that would result in material misstatement of the Dealer Member's financial statements or that would reasonably be expected to raise concerns about a Dealer Member's continued viability, including but not limited to, capital deficiency, early warning, and any condition which, in the opinion of [New SRO], could give rise to payments being made out of [New IPF], including any condition which, alone or together with other conditions, could, if appropriate corrective action is not taken, reasonably be expected to:

(i) inhibit the Dealer Member from promptly completing securities transactions, promptly segregating clients' securities as required or promptly discharging its responsibilities to clients, other members, or creditors, or

(ii) result in material financial loss to the Dealer Member or its clients;

(j) any action taken by [New SRO] with respect to a Dealer Member in financial difficulty;

(k) any terms and conditions imposed, varied or removed by [New SRO] relating to a Dealer Member; and

(l) any enforcement agreement and undertaking entered into, varied or rescinded at [New SRO]'s request relating to a Dealer Member.

Quarterly reporting

4. (1) [New SRO] will file on a quarterly basis with the Commission a written report pertaining to [New SRO]'s regulatory operations promptly after the report is reviewed or approved by the Board, Board committees, or senior management, as the case may be, containing at a minimum the following information and documents:

(a) a summary of ongoing initiatives, policy changes, and emerging or key issues that arose in the previous quarter for each of [New SRO]'s regulatory operations;

(b) a summary of innovation or technological initiatives that facilitate Members' development and use of technological advancements to achieve better efficiencies and productivity;

(c) a summary of all compliance examinations in progress or completed during the previous quarter, and all compliance examinations scheduled to be commenced in the upcoming quarter by [New SRO] office and department, including information on repeat or significant deficiencies;

(d) a summary of any terms and conditions imposed, varied or removed relating to Approved Persons during the previous quarter;

(e) a summary of all discretionary exemptions granted to individuals, Dealer Members, and marketplace participants during the previous quarter;

(f) summary statistics for the previous quarter regarding all client complaints, and complaints received from other sources including, but not limited to, any other securities regulatory authority;

(g) summary statistics by office for the previous quarter regarding the caseload for each of case assessment, trading review and analysis, market surveillance, investigations and prosecutions, separated between Dealer Member and Marketplace regulation cases, including the length of time the files have been open;

(h) a summary of enforcement files that were referred to any of the Recognizing Regulators during the previous quarter; and

(i) [New SRO]'s regulatory staff complement, categorized by function, and details of any changes or reductions in regulatory staffing, by function, during the previous quarter.

Annual reporting

5. (1) [New SRO] will file on an annual basis with the Commission a written report pertaining to [New SRO]'s regulatory operations promptly after the report is reviewed or approved by [New SRO]'s Board, Board committees, or senior management, as the case may be, containing at a minimum the following documents:

(a) the self-assessment referred to in term and condition 15(10) in Appendix A of the Recognition Order. The self-assessment must contain information as specified by Commission staff from time to time and include the following information:

(i) an assessment of how [New SRO] is meeting its regulatory and public interest mandate, including an assessment against the recognition criteria in Schedule 1 of the Recognition Order and the terms and conditions in Appendix A of the Recognition Order,

(ii) an assessment of its performance as compared to its strategic plan,

(iii) a description of trends seen as a result of compliance reviews, investigations and prosecutions conducted, and complaints received, including [New SRO]'s plan to deal with any issues,

(iv) whether [New SRO] is meeting its benchmarks, and reasons for any benchmarks not being met,

(v) a complete organizational chart,

(vi) a description and update on significant projects undertaken by [New SRO],

(vii) a description of issues raised by any of the Recognizing Regulators, external auditors or internal audit, which are being tracked by [New SRO]'s senior management, together with a summary of the progress made on their resolution, and

(viii) a description of material issues raised and recommendations made by the Regional Councils to the Board, including identification of and written explanation regarding the issues and recommendations that were rejected or only partially adopted by the Board;

(b) certification by [New SRO]'s CEO and general counsel that [New SRO] is in compliance with the terms and conditions applicable to it in Appendix A of the Recognition Order.

Financial reporting

6. (1) [New SRO] will file with the Commission unaudited quarterly financial statements with notes within 60 days after the end of each financial quarter.

(2) [New SRO] will file with the Commission audited annual financial statements accompanied by the report of an independent auditor within 90 days after the end of each fiscal year.

Other reporting

7. (1) On a timely basis, [New SRO] will provide the Commission with the following information, and documents after publication or completion of review and approval by [New SRO]'s Board, Board committees, or senior management, as the case may be:

(a) The results from any reviews referred to in term and condition 7(2) in Appendix A of this Recognition Order, if applicable, and a remediation plan or any other relevant documentation;

(b) material changes to the Board and employee code of conduct and the written policy about managing potential conflicts of interests of Directors and employees;

(c) the financial budget for the current year, together with the underlying assumptions, that have been approved by the Board;

(d) the reports referred to in terms and conditions 18(2) and 19(2) in Appendix A of the Recognition Order;

(e) the results of benchmarking of surveillance systems and services referred to in term and condition 18(4) in Appendix A of the Recognition Order, together with a summary of the process undertaken and conclusions reached;

(f) enterprise risk management reports, and any material changes to enterprise risk management methodology;

(g) the internal audit charter, annual internal audit plan, and internal audit reports;

(h) the annual report for the current year;

(i) the compliance examination plan for the current year;

(j) material changes to the compliance or enforcement processes or scope of work, including departmental risk assessment models.

(2) [New SRO] will provide the Commission with reasonable prior notice of any document that it intends to publish or issue to the public or to any class of Members which, could have a significant impact on:

(a) its Members and others subject to its jurisdiction; or

(b) the capital markets generally including, for greater clarity, particular stakeholders or sectors.

(3) The [New SRO] must not publish or issue any document referred to in subsection 7(2) until the Recognizing Regulators notify the [New SRO] that they have no questions or comments on the publication or issuance of that document.

(4) [New SRO] will, upon request and as soon as practicable, provide the Commission with information concerning closed investigations and prosecutions, whether or not resulting in disciplinary actions, including the final investigation report, recommendation memorandum and penalty memorandum, if applicable.

APPENDIX C

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING REGARDING
OVERSIGHT OF [NEW SRO]

AMONG:
ALBERTA SECURITIES COMMISSION
AUTORITÉ DES MARCHÉS FINANCIERS
BRITISH COLUMBIA SECURITIES COMMISSION
MANITOBA SECURITIES COMMISSION
FINANCIAL AND CONSUMER SERVICES COMMISSION OF NEW BRUNSWICK
OFFICE OF THE SUPERINTENDENT OF SECURITIES, DIGITAL GOVERNMENT AND SERVICE NEWFOUNDLAND AND LABRADOR
OFFICE OF THE SUPERINTENDENT OF SECURITIES, NORTHWEST TERRITORIES
NOVA SCOTIA SECURITIES COMMISSION
OFFICE OF THE SUPERINTENDENT OF SECURITIES, NUNAVUT
ONTARIO SECURITIES COMMISSION
PRINCE EDWARD ISLAND OFFICE OF THE SUPERINTENDENT OF SECURITIES
FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN
OFFICE OF THE YUKON SUPERINTENDENT OF SECURITIES
(each a **Recognizing Regulator (RR)**, collectively the **Recognizing Regulators** (**RRs**) or the **Parties**)

The Parties agree as follows:

1. Underlying Principles

a. Recognition

[New SRO] is recognized as a self-regulatory organization under applicable securities legislation by each of the RRs and is a regulation services provider pursuant to National Instrument 23-101 *Trading Rules*.

b. Oversight Program

To ensure effective oversight of [New SRO]'s performance of its functions, the Parties to this Memorandum of Understanding (**MOU**) have developed an oversight program (**Oversight Program**) with respect to [New SRO] which includes:

(i) review of information filed by [New SRO], as set out in section 4;

(ii) non-objection process, as set out in section 5;

(iii) oversight reviews of [New SRO], as set out in section 6; and

(iv) review of By-Laws and Rules of [New SRO], as set out in section 7.

The purpose of the Oversight Program is to ensure that [New SRO] is acting in accordance with its public interest mandate, and complying with the terms and conditions of the [New SRO] Recognition Order.

c. Oversight Guiding Principles

The guiding principles for the RRs' joint oversight of [New SRO] are:

(i) Harmonious direction – the RRs will strive to speak as one when giving direction to [New SRO];

(ii) Transparency – each RR shares with other RRs important communications with [New SRO] in a timely manner; and

(iii) Efficiency – each RR will strive to conduct oversight in an effective manner while attempting to minimize the resources required from other RRs and [New SRO].

d. Previous Memoranda of Understanding

This MOU replaces the memoranda of understanding that took effect on April 1, 2021 between the applicable RRs of the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**) in respect of the oversight of IIROC and the MFDA.

2. Definitions

Unless otherwise defined or interpreted in this MOU, every term used in this MOU that is defined in subsection 1.1(3) of National Instrument 14-101 – *Definitions* has the meaning ascribed to it in that subsection.

"Approved Person" has the meaning ascribed to that term in [New SRO] Rules.

"Board" has the meaning ascribed to that term in [New SRO] Recognition Order.

"Coordinators" mean the two RRs that are designated as such from time to time by consensus of all the RRs.

"Independent Director" has the meaning ascribed to that term in [New SRO] Recognition Order.

"Member" has the meaning ascribed to that term in [New SRO] Recognition Order.

"Reviewing Regulator" means an RR that is participating in an oversight review of [New SRO].

"Rule" means any rule, policy, form, fee model or other similar instrument of [New SRO].

"Rule Change" means a new Rule, or an amendment, a revocation or a suspension of an existing Rule.

"[New SRO] Recognition Order" means an order issued by each RR pursuant to its securities legislation recognizing [New SRO] as a self-regulatory organization.

3. General Provisions

a. Oversight Committee

The RRs will establish an oversight committee (**Oversight Committee**) which will act as a forum and venue for the discussion of issues, concerns and proposals related to the oversight of [New SRO].

Each of the RRs shall designate from time to time representatives on the Oversight Committee.

The Oversight Committee will provide to the Chairs of the RRs an annual written report that will include a summary of all oversight activities conducted during the previous period (**Annual Report on Oversight Activities**). The Annual Report on Oversight Activities will also be published.

b. Coordinators

The two RRs that are designated as Coordinators are tasked with the role of coordinating, communicating and scheduling activities of the Oversight Program between the RRs, and between the RRs and [New SRO]. The Coordinators must not make any unilateral decision, or give unilateral direction, with respect to [New SRO].

The Coordinators will serve for four years on a staggered rotation basis among the two designated RRs. Initially, one of the two Coordinators will be replaced after two years, and thereafter each Coordinator will have a four-year term, such that a new Coordinator will be designated to replace a current Coordinator every two years. Designation of a new Coordinator will be made one year in advance of the end of an exiting Coordinator's term.

c. Staff Contact

The Coordinators will provide [New SRO] with key staff contacts in each jurisdiction for the purposes of matters arising under this MOU or relating to oversight in general.

d. Status Meetings

The Coordinators will organize quarterly conference calls and an annual in-person meeting of the Oversight Committee and [New SRO] staff. The purpose is to discuss matters relating to the Oversight Program of [New SRO], issues relating to the regulation of [New SRO]'s Members and other matters that are of interest to the RRs and [New SRO]. The Coordinators are also responsible for taking minutes of these calls and in-person meetings.

4. Review of Information Filed

Any comments of the staff of the RRs on information filed by [New SRO] will be sent to the Coordinators, with a copy to staff of the other RRs. The Coordinators will request that [New SRO] respond to comments raised by the RRs and copy staff of the other RRs on its response.

5. Non-Objection Process

The RRs have developed a non-objection process, as set out in Appendix A.

6. Oversight Reviews

The RRs have developed procedures for performing periodic reviews of [New SRO]'s functions, as set out in Appendix B.

7. Review of By-laws and Rules

The RRs have developed a Joint Rule Review Protocol (**Protocol**) for coordinating the review and approval of, or non-objection to, [New SRO] by-laws and Rules, as set out in Appendix C.

8. Information Sharing and Confidentiality

(a) Without limiting the transparency guiding principle in section 1(c) or any information sharing agreements to which an RR or [New SRO] is a party, each RR will share with other RRs, and authorize [New SRO] to share on a timely basis with other RRs in circumstances where other RRs may be significantly impacted:

(i) directives from an RR to [New SRO], and

(ii) other information or data communicated between the RR and [New SRO],

excluding circumstances where an RR is obligated to maintain confidentiality from other parties, namely where personal information is concerned.

(b) All notices, reports, documents and any other information or data shared amongst any of the RRs pursuant to this MOU are shared exclusively for the regulatory purposes of the RRs, and with the expectation that they be shared and maintained in confidence, except as may otherwise be required by applicable law. Necessary and appropriate safeguards should be maintained to protect the confidentiality of documents. If any RR is required to disclose or provide access to such information or data provided by another RR, the recipient RR should assert all appropriate legal exemptions or privileges with respect to such information or data as may be available, and notify and obtain the written consent of the other RR, where permissible, prior to complying with such a requirement.

9. Authority

Nothing in this MOU is intended to limit the powers of any of the RRs under applicable securities legislation to take any measures authorized or required under such legislation.

10. Appendices

The MOU represents the RRs' commitment to a coordinated and cooperative approach to conducting the Oversight Program, and the appendices are integral to the execution of this commitment.

11. Amendments to and Withdrawal from this MOU

This MOU may be amended from time to time, as mutually agreed upon by the RRs. Any amendments must be in writing and approved by the duly authorized representatives of each RR in accordance with the applicable legislation of each province or territory.

This MOU may be terminated if mutually agreed upon by the RRs.

Each RR can, at any time, withdraw from this MOU on at least 90 days' written notice to the Coordinators and to each RR.

12. Effective Date

This MOU comes into effect on [●].

IN WITNESS WHEREOF the duly authorized signatories of the parties below have signed this MOU as of the Effective Date of the MOU stated above.

ALBERTA SECURITIES COMMISSION

Per:_____

Title:_____

AUTORITÉ DES MARCHÉS FINANCIERS

Per:_____

Title:_____

BRITISH COLUMBIA SECURITIES COMMISSION

Per:_____

Title:_____

MANITOBA SECURITIES COMMISSION

Per:_____

Title:_____

FINANCIAL AND CONSUMER SERVICES COMMISSION OF NEW BRUNSWICK

Per:_____

Title:_____

OFFICE OF THE SUPERINTENDENT OF SECURITIES, DIGITAL GOVERNMENT AND SERVICE NEWFOUNDLAND AND LABRADOR

Per:_____

Title:_____

DEPUTY MINISTER FOR INTERGOVERNMENTAL AFFAIRS NEWFOUNDLAND AND LABRADOR

Per:_____

Title:_____

OFFICE OF THE SUPERINTENDENT OF SECURITIES, NORTHWEST TERRITORIES

Per:_____

Title:_____

NOVA SCOTIA SECURITIES COMMISSION

Per:_____

Title:_____

OFFICE OF THE SUPERINTENDENT OF SECURITIES, NUNAVUT

Per:_____

Title:_____

ONTARIO SECURITIES COMMISSION

Per:_____

Title:_____

PRINCE EDWARD ISLAND OFFICE OF THE SUPERINTENDENT OF SECURITIES

Per:_____

Title:_____

FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN

Per:_____

Title:_____

OFFICE OF THE YUKON SUPERINTENDENT OF SECURITIES

Per:_____

Title:_____

Appendix A
Non-Objection Process

1. Purposes of non-objection process

The RRs agree and hereby adopt a non-objection process for the following purposes:

(a) nomination of each candidate for an Independent Director position;

(b) appointment of the Chief Executive Officer (**CEO**);

(c) changes to the Board skills matrices;

(d) changes to the CEO skills sub-matrix; and

(e) approval of a Board exemption, or an amendment or extension to a Board exemption, from a Rule that could have a significant impact on:

(i) Members and others subject to [New SRO]'s jurisdiction; or

(ii) the capital markets generally, including, for greater clarity, particular stakeholders or sectors.

2. Non-objection criteria

Without limiting the discretion of each RR, the RRs agree to consider these factors when following the non-objection process:

(a) whether the proposed action subject to the non-objection process is in the public interest;

(b) whether [New SRO] has provided sufficient analysis; and

(c) whether there are conflicts with applicable laws or the terms and conditions of [New SRO]'s recognition.

3. Required filings

(a) **Language requirements.** [New SRO] will file the information required under this section concurrently in both English and French.

(b) **Filings**. [New SRO] will file the following information with staff of the RRs, and upon request by any RR, any other document or information:

(i) under subsection 1(a):

(A) documentation including the analysis undertaken to confirm the independence of a candidate.

(ii) under subsection 1(b):

(A) documentation including the analysis undertaken to support the selection of the CEO;

(B) confirmation that the CEO nominee has passed the fit and proper assessment by the Board; and

(C) completed CEO skills sub-matrix.

(iii) under subsection 1(c):

(A) Board skills matrices reflecting proposed changes, including rationale.

(iv) under subsection 1(d):

(A) CEO skills sub-matrix reflecting proposed changes, including rationale.

(v) under subsection 1(e):

(A) memorandum and supporting information used by the Board to inform their decision.

4. Non-Objection Process

(a) **Confirming receipt**. Upon receipt of the materials filed under subsection 3(b), staff of the Coordinators will, as soon as practicable, send written confirmation of receipt to [New SRO], with a copy to staff of the other RRs.

(b) **RR review**. Staff of each RR will provide any comments in writing to staff of the other RRs within 10 business days of receiving the materials filed under subsection 3(b), or as otherwise agreed upon by staff of the RRs. The process to provide comments and obtain responses from [New SRO] will be established and agreed upon by staff of the RRs. If no comments are provided by staff of an RR within the prescribed period, then that RR will be deemed not to object.

(c) **Intention to object.** After completing the comment process provided under subsection 4(b) above, if all RRs do not intend to object, staff of the Coordinators will send a written notice of non-objection to [New SRO] and will copy staff of all RRs. If staff of any RR intends to recommend that the RR objects, the RRs will use best efforts to adhere to the following:

(i) within a reasonable timeline agreed upon by staff of the RRs, staff of any RR who intends to make a recommendation that the RR objects will advise staff of the other RRs, in writing, of their intended recommendation and provide reasons for it;

(ii) within 5 business days of receiving or sending a notice of intended recommendation, staff of the Coordinators will convene a conference call with staff of the other RRs and, as applicable, [New SRO];

(iii) if the intended recommendation still exists after any such discussion, staff of the applicable RRs will, within a reasonable timeline agreed upon by staff of the RRs, recommend to their respective decision makers that they object;

(iv) if the decision maker of any RR intends to object, the Coordinators will provide written notification to [New SRO] with reasons for the intended objection and copy staff of the other RRs, and will give [New SRO] an opportunity to present written submissions;

(v) after considering the written submissions provided by [New SRO], if any of the RRs still intends to object, then the RRs shall use the process provided under section 12 of Appendix C of this MOU, but not including the process described at section 13, with necessary adaptations;

(vi) if any RR objects after having completed the process described in paragraph 4(c)(v), it will provide promptly a written confirmation of objection to staff of the other RRs. Staff of the Coordinators will then provide to [New SRO] a written notice of objection and will copy staff of the other RRs;

(vii) if after completing the process described in paragraph 4(c)(v), RRs that intended to object as described in paragraph 4(c)(iv) do not object, they will provide promptly a written non-objection confirmation to staff of the other RRs. RRs that did not intend to object will be deemed not to object. Staff of the Coordinators will then send a written notice of non-objection to [New SRO] and will copy staff of the other RRs.

Appendix B
Oversight Reviews

The RRs will carry out periodic coordinated oversight reviews of [New SRO] for the purposes of: (i) evaluating whether selected regulatory processes are effective, efficient, and are applied consistently and fairly; and (ii) assessing compliance with the terms and conditions of recognition.

An RR may choose to participate in a coordinated review of a [New SRO] office depending on the functions carried out in that office, or may choose to rely on another RR for the review of a [New SRO] office. In cases where an RR chooses not to review the [New SRO] office in its jurisdiction, the other RRs may conduct a review of that [New SRO] office.

Each RR may also perform an independent review of [New SRO] to deal with significant and/or local issues. Any RR that intends to perform such a review will notify staff of the other RRs prior to conducting such a review.

The scope of the review will be determined by utilizing a risk-based methodology established and agreed upon by staff of the RRs.

When conducting a coordinated review, the Reviewing Regulators will use best efforts to adhere to the following within any timelines established among themselves:

1) The Reviewing Regulators will establish and agree on a work plan for the coordinated review that sets the target completion date for each step, including conducting the review, reviewing draft reports, confirming factual accuracy, translating and publishing the final report, and follow-up plans.

2) The coordinated review of [New SRO]'s offices will be conducted at the same time and, for each [New SRO] office, a Reviewing Regulator will be designated as the regulator who has overall responsibility for the review of that office.

3) The Reviewing Regulators will develop and use a uniform review program and uniform performance benchmarks to conduct the coordinated review and will ensure the review is appropriately staffed in their respective jurisdiction.

4) The Coordinators will, as needed, arrange for communication among the Reviewing Regulators during the course of a review, to discuss the progress of the work completed and to ensure appropriate consistency in the Reviewing Regulators' approach.

5) Each Reviewing Regulator will share with all other Reviewing Regulators the results of its review, including draft findings and, upon request, supporting materials.

6) Unless otherwise agreed upon, the Coordinators will draft a review report and share it among the Reviewing Regulators to ensure it meets all of their expectations and requirements, as applicable. The review report will:

    a) take into account the draft findings and comments of the Reviewing Regulators, and

    b) use a common set of criteria to rate the significance and urgency of findings.

7) If the Reviewing Regulators disagree on the content of the draft review report, the Reviewing Regulators will follow the process provided in section 12 of Appendix C of this MOU for resolution.

8) After the Reviewing Regulators are mutually satisfied with the draft review report, the Coordinators will forward the draft review report to [New SRO] to confirm factual accuracy.

9) [New SRO] will review the draft review report for factual accuracy and respond to the Reviewing Regulators with comments.

10) The Reviewing Regulators will consider [New SRO]'s comments and revise the review report as necessary.

11) The Coordinators will send the revised review report to [New SRO] for its formal response.

12) On receipt of [New SRO]'s formal response, the Reviewing Regulators will incorporate such formal response and any follow-up plans into the review report as applicable.

13) Each Reviewing Regulator will seek the necessary internal approval to publish the final review report, taking into account language translation needs where applicable.

14) When each Reviewing Regulator has obtained the necessary internal approvals, the Coordinators will, and the other Reviewing Regulators may, publish the final review report.

Appendix C
Joint Rule Review Protocol

1. Scope and purpose

The RRs have entered into this Protocol to establish uniform procedures for their review of and decision-making about Rule Changes proposed by [New SRO].

Any review of a new by-law, amendment to an existing by-law or revocation of an existing by-law proposed by [New SRO] will follow the process for review of and decision-making about Rule Changes set out in this Protocol, with the necessary adaptations.

2. Classifying Rule Changes

(a) **Classification**. [New SRO] will classify each proposed Rule Change as "housekeeping" or "public comment".

(b) **Housekeeping Rule Changes**. A "housekeeping" Rule Change is a Rule Change that has no material impact on investors, issuers, registrants, [New SRO], [New IPF] or the Canadian capital markets generally and that:

(i) makes necessary changes of an editorial nature (such as correcting a textual mistake or inaccurate cross-reference, correcting a translation, making a formatting change, or standardization of terminology),

(ii) changes the routine internal processes, practices, or administration of [New SRO],

(iii) is necessary to conform to applicable securities legislation, statutory or legal requirements, accounting or auditing standards, or to other [New SRO] Rules or by-laws (including those that the RRs have approved or non-objected to, but which [New SRO] has not yet made effective), or

(iv) establishes or changes a due, fee or other charge imposed by [New SRO] under a Rule that the RRs have previously approved or non-objected to.

(c) **Public comment Rule Changes**. A "public comment" Rule Change is any Rule Change that is not a housekeeping Rule Change.

(d) **RRs' disagreement with classification**. If staff of an RR thinks that [New SRO] incorrectly classified a proposed Rule Change as housekeeping, the RRs and [New SRO] will use best efforts to adhere to the following:

(i) Within 5 business days of the date of [New SRO]'s filing under section 3, staff of the RR who intends to disagree with the classification will advise staff of the other RRs, in writing, that they intend to disagree and provide reasons for its intended disagreement.

(ii) Within 3 business days of receiving or sending a notice of disagreement, staff of the Coordinators will discuss the classification, and may arrange a conference call, with staff of the other RRs and, as applicable, [New SRO].

(iii) If disagreement with the classification still exists after any such discussion, staff of the Coordinators will notify [New SRO] of the disagreement, in writing, with a copy to staff of the other RRs within 10 business days of the date of [New SRO]'s filing.

(iv) If staff of the Coordinators send a notice of disagreement to [New SRO] under paragraph 2(d)(iii), [New SRO] will reclassify the proposed Rule Change as a public comment Rule Change or withdraw the proposed Rule Change by filing a written notice with staff of the RRs indicating that it will be withdrawing the Rule Change.

(v) If [New SRO] does not receive any such notice of disagreement within 10 business days of the date of [New SRO]'s filing, [New SRO] will assume that staff of the RRs agree with the classification.

3. Required filings

(a) **Language requirements**. [New SRO] will file the information required under this section concurrently in both English and French, accompanied with an attestation from a certified translator.

(b) **Filings for housekeeping Rule Changes**. [New SRO] will file the following information with staff of the RRs for each proposed housekeeping Rule Change:

(i) a cover letter that indicates the classification of the proposed Rule Change and the applicable provisions in subsection 2(b),

(ii) the Board resolution, including the date that the proposed Rule Change was approved and a statement that the Board has determined that the proposed Rule Change is in the public interest,

(iii) the text of the proposed Rule Change and, where applicable, a blacklined version showing the changes to an existing Rule, and

(iv) a notice for publication including:

(A) a brief description of the proposed Rule Change,

(B) the reasons for the housekeeping classification,

(C) the anticipated effective date of the proposed Rule Change,

(D) a statement as to whether the proposed Rule Change involves a Rule that [New SRO], its Members or Approved Persons must comply with in order to be exempted from a requirement of securities legislation and any applicable references to such requirement,

(E) confirmation that [New SRO] followed its established internal governance practices in approving the proposed Rule Change and considered the need for consequential amendments, and

(F) a statement as to whether the proposed Rule Change conflicts with applicable laws or the terms and conditions of [New SRO]'s recognition.

(c) **Filings for public comment Rule Changes**. [New SRO] will file the following information and data with staff of the RRs for each proposed public comment Rule Change:

(i) a cover letter that indicates the classification of the proposed Rule Change,

(ii) the Board resolution, including the date that the proposed Rule Change was approved, and a reasonable explanation of why the Board has determined that the proposed Rule Change is in the public interest,

(iii) the text of the proposed Rule Change, and, where applicable, a blacklined version showing the changes to an existing Rule, and

(iv) a notice for publication including:

(A) Information that must be included:

a. a concise statement, together with supporting analysis (including applicable quantitative analysis), of the nature, purpose and effect (including any regional-specific effect) of the proposed Rule Change,

b. an explanation as to how [New SRO] has taken the public interest into account when developing the Rule Change, why the proposed Rule Change is in the public interest, and the anticipated effects of the proposed Rule Change on investors, issuers, registrants, [New SRO], [New IPF] and the Canadian capital markets generally,

c. a description of the Rule Change,

d. a description of the Rule-making process, including the context in which [New SRO] developed the proposed Rule Change, the process followed and the consultation process undertaken, including applicable stakeholder engagements, when developing the Rule Change,

e. the anticipated effective date of the proposed Rule Change,

f. a request for public comment together with details on how to submit comments within the stated comment period deadline, and a statement that [New SRO] will publish all comments received during the comment period on its public website, and

g. the items in subparagraphs 3(b)(iv)(D), (E) and (F).

(B) Information that must be included, if relevant:

a. where the proposed Rule Change requires investors, issuers, registrants, [New SRO], or [New IPF] to make technological systems changes, a description of the implications of the proposed Rule Change and, where possible, a discussion of material implementation issues and plans,

b. any issues considered and any alternative approaches considered, including the reasons for rejecting those alternative approaches, and

c. a reference to other jurisdictions including an indication as to whether another regulator in Canada, the United States or another jurisdiction has a comparable requirement or is contemplating making a comparable requirement and, if applicable, a comparison of the proposed Rule Change to the requirement of the other jurisdiction.

4. Review criteria

Without limiting the discretion of the RRs, the RRs agree that the following are factors that staff of the RRs should consider when reviewing proposed Rule Changes:

(a) whether a proposed Rule Change is in the public interest,

(b) whether [New SRO] has provided sufficient analysis of the nature, purpose and effect of a proposed Rule Change, and

(c) whether the proposed Rule Change conflicts with applicable laws or the terms and conditions of [New SRO]'s recognition.

5. Review and approval process for housekeeping Rule Changes

(a) **Confirming receipt**. Upon receipt of the materials filed under subsection 3(b), staff of the Coordinators will, as soon as practicable, send written confirmation of receipt of the proposed housekeeping Rule Change to [New SRO], with a copy to staff of the other RRs.

(b) **Approval**. Except where a notice of disagreement has been sent to [New SRO] in accordance with paragraph 2(d)(iii), the proposed Rule Change will be deemed approved or non-objected to on the eleventh business day following the date of [New SRO]'s filing under section 3.

6. Review process for public comment Rule Changes

(a) **Confirming receipt**. Upon receipt of the materials filed under subsection 3(c), staff of the Coordinators will, as soon as practicable, send written confirmation of receipt of the proposed public comment Rule Change to [New SRO], with a copy to staff of the other RRs.

(b) **Publication and public comment period**. As soon as practicable, staff of the Coordinators and [New SRO] will, and staff of the other RRs may:

(i) coordinate a publication date among themselves, and

(ii) publish on their respective public websites or bulletin the materials referred to in paragraphs 3(c)(iii) and (iv) for the comment period recommended by [New SRO], commencing on the date the proposed public comment Rule Change appears on the public website or in the bulletin of the Coordinators.

(c) **Publishing and responding to public comments**. Within 3 business days of the end of the subsection 6(b) comment period, [New SRO] will publish any public comments on its public website, if it has not already done so. [New SRO] will also prepare a summary of public comments and responses to those public comments, if any, and send them to staff of the RRs within any timelines established by staff of the RRs.

(d) **RR review**. After the subsection 6(b) comment period has ended, and, if applicable, [New SRO] has provided the summary and responses required by subsection 6(c), staff of the RRs will, in writing, provide any significant comments to staff of the other RRs within any timelines established among themselves.

(e) **RRs have no comments**. If staff of the Coordinators do not receive and do not have any significant comments within the period provided for under subsection 6(d), staff of the RRs will be deemed not to have any comments and proceed immediately to the approval or non-objection process in section 8.

(f) **RRs have comments**. If staff of the Coordinators receive or have significant comments within the period provided for under subsection 6(d), staff of the RRs and, as applicable, [New SRO] will use best efforts to adhere to the following process using timelines established among themselves:

(i) After the end of the period provided for under subsection 6(d), staff of the Coordinators will prepare and send to staff of the other RRs a draft comment letter that incorporates their own significant comments and the significant comments raised by staff of the other RRs and may, if deemed necessary, identify different views among staff of the RRs.

(ii) Staff of the RRs will provide any significant comments on the draft comment letter, in writing, to staff of the Coordinators and the other RRs; and if staff of the Coordinators do not receive any such comments within the timelines agreed upon, staff of the other RRs will be deemed not to have any comments.

(iii) Following the other RRs' response (or deemed response), staff of the Coordinators will consolidate all comments received and, when finalized to the satisfaction of staff of the RRs, send the comment letter to [New SRO], with a copy to staff of the other RRs.

(iv) [New SRO] will respond, in writing, to the comment letter sent by staff of the Coordinators, with a copy to staff of the other RRs.

(v) After receiving [New SRO]'s response, staff of the RRs will provide any significant comments, in writing, to staff of the other RRs; if staff of the Coordinators do not receive and do not have any such comments within the timelines agreed upon, staff of the RRs will:

(A) be deemed not to have any comments, and

(B) proceed immediately to the approval or non-objection process in section 8.

(vi) Staff of the RRs and, as applicable, [New SRO] will follow the process in paragraphs 6(f)(i) to (v) when staff of the RRs have significant comments on [New SRO]'s response to any comment letter.

(vii) Staff of the Coordinators will attempt to resolve any issues that staff of the RRs have raised on a timely basis and will consult with staff of the other RRs or [New SRO], as needed.

(viii) If staff of the RRs disagree about the substantive content of the comment letter in paragraph 6(f)(i) or whether to recommend approval of or non-objection to the Rule Change, staff of the Coordinators will invoke section 12.

(ix) If [New SRO] fails to respond to comments of staff of the RRs within 120 days of receipt of the most recent comment letter from staff of the RRs (or such other time agreed upon by staff of the RRs), [New SRO] may withdraw the Rule Change in accordance with section 13 or staff of the RRs will, if they agree among themselves to do so in writing, recommend that their respective decision makers object to or not approve the Rule Change.

7. Revising and republishing public comment Rule Changes

(a) **Language requirements.** If, subsequent to its publication for comment, [New SRO] revises a public comment Rule Change, [New SRO] will file any such revision, which will include, as applicable, a blacklined version to the original published version, a blacklined version to the existing Rule, and the text of the revised Rule Change concurrently in both English and French, accompanied with an attestation from a certified translator.

(b) **Revising Rule Changes**. If such a revision changes the Rule Change's substance or effect in a material way, staff of the Coordinators may, in consultation with [New SRO] and staff of the other RRs, require the revised Rule Change to be republished for an additional comment period. Upon republication, the previously published Rule Change will be superseded.

(c) **Published documents**. If a public comment Rule Change is republished, the revised request for comments will include, as applicable, the information filed under subsection 7(a), the date of Board approval (if different from the original published version), [New SRO]'s summary of public comments received and responses for the

previous request for comments, together with an explanation of the revisions to the Rule Change and the supporting rationale for the revisions, including why the revisions are in the public interest.

(d) **Applicable provisions**. Any republished public comment Rule Change will be subject to all provisions in this Protocol applicable to public comment Rule Changes, except where otherwise provided for in this Protocol.

8. Approval process for public comment Rule Changes

(a) **Coordinators seek approval**. Staff of the Coordinators will use their best efforts to seek approval of or non-objection to the Rule Change within 30 business days of the end of the review process set out in section 6.

(b) **Coordinators circulate documents**. After the Coordinators make a decision about a Rule Change, staff of the Coordinators will promptly circulate to staff of the other RRs applicable documentation relating to the Coordinators' decision.

(c) **Other RRs seek approval**. Staff of the other RRs will use their best efforts to seek approval or non-objection within 30 business days of receipt of applicable documentation from staff of the Coordinators.

(d) **Other RRs communicate decision to Coordinators**. Staff of each RR will promptly inform staff of the Coordinators in writing after a decision about the Rule Change has been made.

(e) **Coordinators communicate decision to [New SRO]**. Staff of the Coordinators will promptly communicate to [New SRO], in writing, the decision about the Rule Change, including any conditions, upon receipt of notification of the other RRs' decisions.

9. Effective date of Rule Changes

(a) **Public comment Rule Changes**. Public comment Rule Changes (other than Rule Changes implemented under section 11) will be effective on the later of:

(i) the date the Coordinators publish the notice of approval or non-objection in accordance with subsection 10(a), and

(ii) the date designated by [New SRO] under subparagraph 3(c)(iv)(A) or the date as determined by [New SRO].

(b) **Housekeeping Rule Changes**. Housekeeping Rule Changes will be effective on the later of:

(i) the date of deemed approval or non-objection in accordance with subsection 5(b), and

(ii) the date designated by [New SRO] under subparagraph 3(b)(iv)(C).

(c) **Revisions to the effective date of a Rule Change**. [New SRO] will advise staff of the RRs in writing if it has not made a Rule Change effective by the date designated by [New SRO] under subsection 9(a), and will include the following information:

(i) the reasons it has not yet made the Rule Change effective,

(ii) [New SRO]'s projected timeline for making the Rule Change effective, and

(iii) the impact on the public interest of not making the Rule Change effective by the date designated by [New SRO] under subsection 9(a).

10. Publishing notice of approval

(a) **Public comment Rule Changes**. For any public comment Rule Change, staff of the Coordinators and [New SRO] will both publish a notice of approval of or non-objection on their respective public websites, together with:

(i) if applicable, [New SRO]'s summary of comments received and responses,

(ii) if changes were made to the version published for public comment, a blacklined version of the revised Rule Change compared to the previously published public comment Rule Change, and

(iii) if requested, a blacklined version to the existing Rule.

(b) **Housekeeping Rule Changes**. For any housekeeping Rule Change, staff of the Coordinators will prepare a notice of deemed approval or non-objection and both the Coordinators and [New SRO] will publish the notice, together with the materials referred to in paragraphs 3(b)(iii) and (iv), on their respective public websites.

(c) **Publication by other RRs**. Any other RRs may publish notices of approval at their own discretion.

11. Immediate implementation

(a) **Criteria for immediate implementation**. If [New SRO] identifies an urgent need to implement a proposed public comment Rule Change because of a substantial risk of material harm to investors, issuers, registrants, other market participants, [New SRO], [New IPF] or the Canadian capital markets generally, [New SRO] may make the proposed public comment Rule Change effective immediately, subject to subsection 11(d), and provided that:

(i) [New SRO] provides staff of each RR with written notice of its intention to rely upon this procedure at least 10 business days before the Board considers the proposed public comment Rule Change for approval, and

(ii) [New SRO]'s written notice in paragraph 11(a)(i) includes:

(A) the date on which [New SRO] intends the proposed public comment Rule Change to be effective, and

(B) an analysis in support of the need for immediate implementation of the proposed public comment Rule Change.

(b) **Notice of disagreement**. If staff of an RR does not agree that immediate implementation is necessary, staff of the RRs and, as applicable, [New SRO] will use best efforts to adhere to the following:

(i) Staff of each RR which disagrees with the need for immediate implementation will, within 5 business days after [New SRO] provides notice under subsection 11(a), advise staff of the other RRs in writing that they disagree and provide the reasons for its disagreement.

(ii) Staff of the Coordinators will promptly notify [New SRO] in writing of the disagreement.

(iii) Staff of [New SRO] and staff of the RRs will discuss and attempt to resolve any concerns raised on a timely basis but, if the concerns are not resolved to the satisfaction of staff of all RRs, [New SRO] cannot immediately implement the proposed public comment Rule Change.

(c) **Notice of no disagreement**. Where there is no notice of disagreement under and within the timelines set out in paragraph 11(b)(i), or where concerns have been resolved under paragraph 11(b)(iii), staff of the Coordinators will immediately provide written notice of no disagreement to [New SRO], with a copy to staff of the other RRs, indicating that it may now seek Board approval to immediately implement the proposed public comment Rule Change.

(d) **Effective date**. Proposed public comment Rule Changes that [New SRO] immediately implements in accordance with section 11 will be effective on the later of the following:

(i) the date the Board approves the Rule Change, and

(ii) the date designated by [New SRO] in its written notice to staff of the RRs.

(e) **Subsequent review of Rule Change**. A public comment Rule Change that is implemented immediately will subsequently be published, reviewed, and approved or non-objected to in accordance with the applicable provisions of this Protocol.

(f) **Subsequent disapproval of Rule Change**. If the RRs subsequently object to or do not approve a public comment Rule Change that [New SRO] immediately implemented, [New SRO] will promptly repeal the public comment Rule Change and inform its Members of the RRs' decision.

12. Disagreements

If any disagreement, either among the RRs or between the RRs and [New SRO], about a matter arising out of or relating to this Protocol cannot be resolved through staff discussions, staff of the RRs will use best efforts to adhere to the following using timelines established among themselves:

(a) If staff of one of the RRs notifies the other RRs that in their view there is a disagreement that cannot be resolved through staff discussions, then staff of the Coordinators will arrange for senior staff of the RRs to discuss the issues and attempt to reach a consensus.

(b) If, following such discussions, a consensus is not reached, staff of the Coordinators will escalate the disagreement as applicable and, ultimately, to the RRs' Chairs or other senior executives of the RRs or such other process as agreed to by staff of the RRs.

(c) If, following such escalation, a consensus is not reached, [New SRO] may withdraw the Rule Change in accordance with section 13 or staff of the RRs will recommend that their respective decision makers object to or not approve the Rule Change.

13. Withdrawing Rule Changes

(a) **Filing notice of withdrawal**. If [New SRO] withdraws a proposed public comment Rule Change that the RRs have not yet approved or non-objected to, [New SRO] will file with staff of the RRs a written notice indicating that it will be withdrawing the Rule Change.

(b) **Contents of notice of withdrawal**. The written notice in subsection 13(a) must contain:

(i) the reason [New SRO] submitted the proposed Rule Change,

(ii) any date that the Board approved the proposed Rule Change,

(iii) any prior publication dates,

(iv) the Board resolution supporting the withdrawal of the proposed Rule Change, if applicable,

(v) the reasons [New SRO] is withdrawing the proposed Rule Change, and

(vi) the impact of withdrawing the proposed Rule Change on the public interest.

(c) **Publishing notice of withdrawal**. Where the proposed Rule Change being withdrawn had previously been published for comment under subsection 6(b), staff of the Coordinators and [New SRO] will both publish a notice on their public websites stating that [New SRO] will be withdrawing the proposed Rule Change, together with the reasons [New SRO] is withdrawing the proposed Rule Change.

14. Reviewing and amending Protocol

Staff of the RRs will, when they agree it is necessary to do so, conduct a joint review of the operation of this Protocol in order to identify issues relating to:

(a) the effectiveness of this Protocol,

(b) the continuing appropriateness of the timelines and other requirements set out in this Protocol, and

(c) any necessary or desirable amendments to this Protocol.

15. Waiving or varying Appendix C

(a) **[New SRO] request**. [New SRO] may file a written request with the RRs to waive or vary any part of this Protocol and, in such a case, the RRs will use best efforts to adhere to the following using timelines established among themselves:

(i) An RR who objects to the granting of the waiver or variation will, in writing, notify the other RRs of its objection, together with the reasons for its objection.

(ii) If the Coordinators do not receive or send any notice of objection within the agreed upon timelines, the RRs are deemed to not object to the waiver or variation.

(iii) The Coordinators will provide written notice to [New SRO] as to whether or not the waiver or variation has been granted.

(b) **RR request**. The RRs may waive or vary any part of this Protocol if all of the RRs agree in writing to such waiver or variation.

(c) **General**. A waiver or variation may be specific or general and may be made for a time or for all time as mutually agreed to by the RRs.

16. Publishing materials

If staff of the Coordinators publish any materials under this Protocol, staff of the other RRs may also publish the same materials, and in such a case, staff of the Coordinators will coordinate the publication date with staff of the other RRs.

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CSA STAFF NOTICE AND REQUEST FOR COMMENT 25-305
APPLICATION FOR APPROVAL OF THE NEW INVESTOR PROTECTION FUND

May 12, 2022

1. Background

Following extensive public consultations, the Canadian Securities Administrators (**CSA**) published CSA Position Paper 25-404 – *New Self-Regulatory Organization Framework* (**CSA Position Paper**), recommending amalgamation of the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**) into a single self-regulatory organization (**SRO**) in order to provide a framework for efficient and effective regulation in the public interest, including an enhanced governance structure, improved investor protection and education, and strengthened industry proficiency. The CSA also recommended in the Position Paper to amalgamate the two current compensation / contingency funds, the Canadian Investor Protection Fund (**CIPF**) and the MFDA Investor Protection Corporation (**MFDA IPC**), into a single compensation / contingency fund, known at this time as New IPF, which will be independent from the new SRO. The SRO amalgamation and related request for comment are addressed in a separate notice (CSA Staff Notice and Request for Comment 25-304).

CIPF and MFDA IPC have been working collaboratively to amalgamate their operational activities into the New IPF and have made representations on behalf of the New IPF for its approval and acceptance as a compensation / contingency fund by the securities regulators in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec, Saskatchewan and Yukon (**the Regulators**).

The Regulators are publishing for comment the following documents:

- **Appendix A** – Application for approval and acceptance of the New IPF (**Application**), which includes the below schedules:

  Schedule 1 – Draft By-Law Number 1 of the New IPF

  Schedule 2 – Draft Coverage Policy

  Schedule 3 – Draft Claims Procedures

  Schedule 4 – Draft Appeal Committee Guidelines

- **Appendix B** - Draft Approval Order for the New IPF setting out the terms and conditions of approval as well as reporting requirements for the New IPF. Following the comment process and resolution of any issues, each Regulator will issue a substantially similar order approving or accepting the New IPF.

- **Appendix C** – Draft Memorandum of Understanding (**MOU**) among the Regulators regarding oversight of the New IPF. The MOU includes detailed protocols for the review and approval of amendments to the New IPF by-laws, certain policies and the agreement with the New SRO, and procedures for performance of periodic oversight reviews of the New IPF.

The Autorité des marchés financiers (**AMF**) is publishing simultaneously for comments its proposed transition plan for mutual fund dealers registered in Québec (**Québec MFDs**) and their registered individuals. Québec MFDs will not be required to contribute to the New IPF's Mutual Fund Dealer Fund in respect of customer accounts located in Québec and those accounts will not be eligible for coverage by the New IPF. However, Québec MFDs will continue to contribute to the Québec financial services compensation fund, as required by law, and their clients will continue to be eligible for the payment of indemnities by this fund[1].

2. Approval of the New IPF

The Application, published below, outlines how the New IPF will comply with the terms and conditions of the draft Approval Order.

[1] Please see the following for additional details: https://lautorite.qc.ca/en/general-public/compensation-and-deposit-protection/submit-a-claim-to-the-fonds-dindemnisation-des-services-financiers

3. Comment Process

We are seeking comments on all aspects of the New IPF Application and related documents. Please submit your written comments on or before June 27, 2022. If you are not sending your written representations by email, please send us an electronic file containing submissions provided (in Microsoft Word format).

Please address your submission to all of the CSA as follows:

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
Financial and Consumer Services Commission of New Brunswick
Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Nunavut
Ontario Securities Commission
Prince Edward Island Office of the Superintendent of Securities
Financial and Consumer Affairs Authority of Saskatchewan
Office of the Yukon Superintendent of Securities

Please send your written representations only to the addresses below. Your written representations will be forwarded to the other CSA member jurisdictions. Your comments relating to the schedules will also be shared with CIPF and MFDA IPC.

The Secretary
Ontario Securities Commission
20 Queen Street West 22nd Floor
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
Email: comments@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Fax : 514- 864-638
Email: consultation-en-cours@lautorite.qc.ca

Certain CSA jurisdictions require publication of the comments received during the comment period. All written comments received will be posted on the websites of each of the ASC at www.albertasecurities.com, the AMF at www.lautorite.qc.ca and the OSC at www.osc.gov.on.ca. Please do not include personal information directly in written representations to be published and state on whose behalf you are making the submission.

Questions

If you have any comments or questions, please contact any of the CSA staff listed below.

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Special Advisor, Capital Markets Regulation
British Columbia Securities Commission
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dmackay@bcsc.bc.ca

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Paula White
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Manitoba Securities Commission
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paula.white@gov.mb.ca

Chris Pottie
Deputy Director, Registration & Compliance
Nova Scotia Securities Commission
902-424-5393
chris.pottie@novascotia.ca

APPENDIX A

APPLICATION FOR APPROVAL AND ACCEPTANCE OF THE NEW IPF

TO: **Alberta Securities Commission**
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
Financial and Consumer Services Commission of New Brunswick
Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Nova Scotia Securities Commission
Office of the Superintendent of Securities, Nunavut
Ontario Securities Commission
Prince Edward Island Office of the Superintendent of Securities
Financial and Consumer Affairs Authority of Saskatchewan
Office of the Yukon Superintendent of Securities
(collectively, the "**Regulators**")

Dear Sirs/Mesdames:

Re: [New IPF] ("New IPF" or the "Corporation"))

This letter sets out the application of the Canadian Investor Protection Fund ("**CIPF**") and the MFDA Investor Protection Corporation ("**MFDA IPC**") (the "**Applicants**") for approval, designation or consideration, as the case may be, pursuant to the applicable securities legislation (the "**Legislation**"), of New IPF, a corporation to be formed by the amalgamation of CIPF and MFDA IPC, as a compensation fund for customers of investment dealers and mutual fund dealers which are members of the new single self-regulatory organization ("**New SRO**") to be formed from the amalgamation of Investment Industry Regulatory Organization of Canada ("**IIROC**"), the Mutual Fund Dealers Association of Canada (the "**MFDA**"). Differences in coverage for mutual fund dealer activities in Québec are noted in this application.

Approval Criteria

The Regulators have identified certain criteria (the "**Criteria**") which are to be satisfied in regard to any order approving New IPF. The Criteria are discussed in relevant sections of this application and were provided to the Applicants as Terms and Conditions proposed for the approval order**s** of the Regulators. References herein to the "**Approval Order**" are references to the draft approval order for New IPF attached as **Appendix B** to the CSA Notice and Request for Comments for this application (the "**CSA Notice**").

The proposed Memorandum of Understanding Regarding Oversight of New IPF, among the Regulators (the "**MOU**") is attached as **Appendix C** to the CSA Notice.

Capitalized terms that are not defined herein have the meaning given to them in the Approval Order.

Dual Registration

The Criteria contemplate a regulatory environment with two registration categories under the New SRO: investment dealers and mutual fund dealers. The documents contemplated in this application have been prepared on that basis. Where a single legal entity operates as both a registered investment dealer and a registered mutual fund dealer, the Investment Dealer Fund would be available to fund coverage for both of those categories. The actual implementation and documentation will depend in part on the rules adopted by the New SRO and amendments made to the Industry Agreement, as required, to accommodate the dual registration.

All specific references herein to a document that is currently in draft are subject to change to reflect amendments made to the draft.

For convenience this application is divided into the following sections:

1. Background to the Amalgamation
2. Corporate Structure and Authority
3. Corporate Governance

4. Conflicts of Interest
5. Funding and Maintenance of New IPF
6. Customer Protection
7. Financial and Operational Viability
8. Risk Management
9. Agreement between New IPF and New SRO
10. Assistance to New SRO
11. Collection of Information
12. Information Sharing and Regulatory Cooperation
13. Ongoing Reporting Requirements
14. Approval of Amendments
15. Submissions

Submitted with this application are the following supporting documents:

Schedule 1 – Draft By-Law No. 1 of New IPF

Schedule 2 – Draft Coverage Policy

Schedule 3 – Draft Claims Procedures

Schedule 4 – Draft Appeal Committee Guidelines

1. BACKGROUND TO THE AMALGAMATION

In its Position Paper 25-404 "New Self – Regulatory Organization Framework", dated August 3, 2021 (the "**Position Paper**"), the CSA advised that it had decided to move forward in combining IIROC and the MFDA to form a new, single, enhanced self-regulatory organization (referring to New SRO), and the consolidation MFDA IPC and CIPF into a single legal entity that is independent from New SRO (i.e., New IPF).

CIPF and MFDA IPC are both corporations existing under the *Canada Not-for-profit Corporations Act* (the "**CNCA**"). CIPF and MFDA IPC have determined that the most effective way to consolidate their operations, while also meeting the CSA's objectives for New IPF, is to amalgamate CIPF and MFDA IPC to form New IPF under the CNCA (the "**Amalgamation**").

The Amalgamation will be subject to the terms of an Amalgamation Agreement between CIPF and MFDA IPC (the "**Amalgamation Agreement**"), which is discussed in more detail in sections below addressing particular criteria. Since New IPF will be formed by the Amalgamation which cannot become effective until New SRO is formed, approval in respect of New IPF is being sought before New IPF is formed.

2. CORPORATE STRUCTURE AND PURPOSE

Relevant Criteria: ***Authority and Purpose***

> *[New IPF] has, and must continue to have, the appropriate authority and capacity to carry out the [New IPF] Mandate.*
>
> ***[New IPF] Mandate** - to provide protection to customers of SRO Members who have suffered or may suffer financial losses as a result of the insolvency of the SRO Member, all on such terms and conditions as may be determined by [New IPF] in its sole discretion and, in connection with such coverage, to engage in risk management activities to minimize the likelihood of such losses.*

2.1 The Corporation

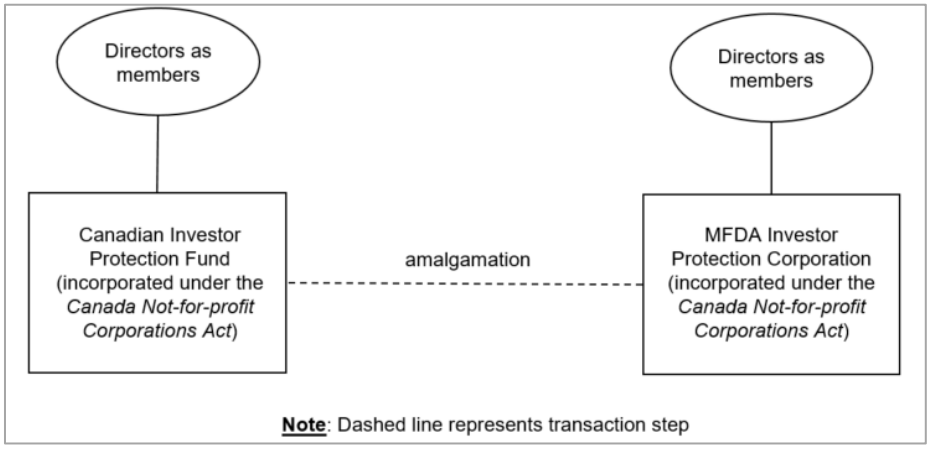
The Amalgamation Agreement provides for the amalgamation of CIPF and MFDA IPC to form New IPF under the CNCA. New IPF will be a not-for-profit corporation with no share capital. By adopting a federal not-for-profit corporation structure New IPF will be subject to the governance and other legal requirements of the CNCA. The Applicants are of the view that the functions and role of New IPF can be best accommodated with the proposed corporate form. Both CIPF and MFDA IPC are not-for-profit corporations with no share capital existing under the CNCA.

2.2 Articles of Amalgamation

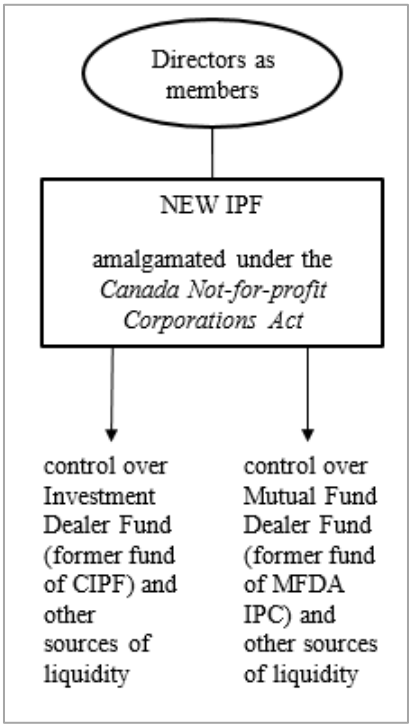
The document that will create New IPF is the Articles of Amalgamation. Among other things, the Articles of Amalgamation sets out the purposes of New IPF, giving it the legal authority to carry them out. The proposed form of Articles of Amalgamation will be attached to the Amalgamation Agreement.

A diagram illustrating the corporate structure before (pre) and after (post) the proposed amalgamation is set out below:

Pre-amalgamation:



Post-amalgamation:



2.3 Purposes of the Corporation

The purposes of New IPF are set out in the Articles of Amalgamation as follows:

a) To provide protection to clients of eligible registered investment dealers and registered mutual fund dealers which are members, approved participants or other similar participating organizations of the [New SRO] ("SRO Members") who have suffered or may suffer financial loss as a result of the insolvency of the SRO Member, all on such terms and conditions as may be determined by the Corporation in its sole discretion.

b) For the purposes of the Corporation, to receive, acquire, hold, purchase, convert, lease, mortgage, sell or dispose of any asset or property of the Corporation of any kind and from any source whatsoever; and to invest and reinvest any of the assets or property of the Corporation in investments which the directors in their discretion consider appropriate.

c) To do all such other things as may be necessary or incidental to the furtherance of the foregoing purposes.

3. CORPORATE GOVERNANCE

Relevant Criteria: ***Corporate Governance***

a) The Board must be selected in a fair and reasonable manner and must fairly represent the interests of all SRO Members and their customers and properly balance the interests of SRO Members and their customers.

b) The Board must be composed of Industry Directors, Public Directors and the chief executive officer. The number of Public Directors must exceed the number of Industry Directors by at least one. The Board must include no more than 15 directors.

c) The [New IPF]'s governance structure must provide for:

(i) fair, meaningful and diverse representation on the Board and any committees of the Board, having regard to the differing interests between SRO Members and their customers;

(ii) appropriate representation of Public Directors on [New IPF] Board committees and on any executive committee or similar body;

(iii) appropriate qualification, remuneration and conflict of interest provisions, and limitation of liability and indemnification protections for directors, officers and employees of [New IPF] generally; and

(iv) a governance, nominating and human resources committee and an audit, finance and investment committee, each of which must be constituted by a majority of Public Directors, including the chair.

3.1 General

The manner in which the affairs of New IPF are governed is critical to its ability to achieve its objectives and fulfil the purposes and functions expected of it.

3.2 Members

As a non-share capital corporation under the CNCA, New IPF will have members rather than shareholders. Section 2.1 of the proposed By-Law No. 1 of New IPF (the "**By-Law**") provides that membership in the Corporation shall consist only of the persons who compose the Board from time to time. This is for ease of administration as it is impractical for a broader membership to be admitted. A copy of the draft By-Law is attached to this application as **Schedule 1.**

The Articles of Amalgamation provides for one class of members, all of whom will be voting members. The primary role of members is to elect directors, appoint the auditor of the corporation, receive the financial statements of the corporation and confirm by-laws. The members are required to meet at least annually.

The corporate membership structure of New IPF will help ensure its independence from New SRO and is consistent with the membership structure of each of CIPF and MFDA IPC.

3.3 Composition and Size of Board of Directors

The Board will consist of not fewer than 8 or more than 12 directors, provided that the Board may initially consist of 15 directors with such number of directors reduced (to the maximum number of 12 directors) upon the expiry of terms of office held at the time of the Amalgamation (and all renewals thereof contemplated for the transition period). *[By-Law, Section 4.1]*

The Board shall be composed of Industry Directors, Public Directors and New IPF's Chief Executive Officer ("**CEO**"), subject to their election by the members or appointment by the Board in accordance with the By-law. The number of directors, including the number of Industry Directors and Public Directors, shall be determined from time to time by a resolution passed at a meeting of the members of the Corporation, provided that the number of Public Directors shall exceed the number of Industry Directors by at least one. *[By-Law, Section 4.1]*

3.4 Governance, Nominating & Human Resources Committee

The Board will appoint a Governance, Nominating & Human Resources Committee which shall be composed of 3 or more directors (including one or both of the Chair and Vice-Chair of the Board), a majority of whom shall be Public Directors, and carry out such duties and tasks as set out in the By-law or as determined by the Board from time to time. The chair of the Governance, Nominating & Human Resources Committee shall be a Public Director. The Governance, Nominating & Human Resources Committee shall recommend nominations to the Board for Industry Directors, Public Directors, Chair, Vice-Chair, CEO, and any other nomination as requested by the Board from time to time. *[By-Law, Section 5.1]*

3.5 Audit, Finance & Investment Committee

The Board will appoint an Audit, Finance & Investment Committee composed of 3 or more directors, a majority of whom shall be Public Directors. The chair of the Audit, Finance & Investment Committee shall be a Public Director. The Audit, Finance & Investment Committee shall be responsible for the review of the Corporation's financial statements and such other functions as the Board may determine. *[By-Law, Section 5.2]*

3.6 Other Committees

The By-Law allows the Board to appoint other committees. Among those that will be established are the Risk Committee and the Coverage Committee, both of which are discussed further below. *[By-Law, Section 5.3]*

3.7 Mandate of the Governance, Nominating & Human Resources Committee

The duties delegated by the Board to the Governance, Nominating & Human Resources Committee will include:

a) Manage the process for identifying and recruiting candidates to be nominated for election or appointment to the Board, taking into consideration cultural, disability, gender, racial, regional and sexual orientation diversity, among other factors.

b) Oversee the evaluation of the Board and of its committees and directors.

c) Oversee the ability of New IPF to attract and maintain the appropriate complement of personnel to fulfill its mandate and provide for succession of the Board and its committees and directors.

d) Recommend to the Board for approval a process for the selection of new directors and biennially review such process and recommend any changes thereto to the Board for approval. The process must be done in a fair and reasonable manner.

e) Develop and maintain a pool of potential candidates for directors who meet the established criteria.

f) Review, and recommend to the Board for approval:

(i) The selection of the CEO through, if considered appropriate, a recruitment process or such other method determined by the Board.

(ii) The annual performance goals for the CEO.

(iii) The annual performance and compensation for the CEO

g) Review at least once annually, and approve:

(i) Succession plans for officers.

(ii) The annual performance goals for officers (excluding the CEO).

(iii) The annual performance and compensation for officers (excluding the CEO).

3.8 Limitation of Liability and Indemnification Protections for Directors, Officers and Employees

The By-Law provides that no past or present member of the Board or any committee or sub-committee thereof or of the Corporation, nor any past or present officer, employee or agent of any of them shall be liable for any loss, damage or misfortune that happen in the execution of the duties of their office or in relation thereto, provided that the standard of care required of the director or officer under the CNCA and the By-Law has been satisfied, and provided that nothing therein shall relieve any such person from the duty to act in accordance with the CNCA and the regulations thereunder or from liability for any breach thereof. *[By-Law, s. 7.2]*

A standard corporate indemnity is also provided to those persons, provided that:

a) the person acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Corporation's request; and

b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that the conduct was lawful. *[By-Law, s. 7.3]*

The Corporation is authorized to purchase and maintain insurance for the benefit of any person referred to above against such liabilities and in such amounts as the Board may from time to time determine and are permitted by the CNCA. *[By-Law, s. 8.1]*

4. CONFLICTS OF INTEREST

Relevant Criteria: ***Conflicts of Interest***

Subject to applicable legislation, [New IPF] must identify and avoid real, potential or perceived conflicts of interest between its own interests, or the interests of its directors, officers, or employees and the [New IPF] Mandate.

4.1 Conflicts of Interest

Section 6.1 of the By-Law establishes a policy and procedures for disclosure of and accountability for conflicts of interest for directors and officers of New IPF. The Board will implement the policy and procedures through codes of conduct for directors and for employees *[By-Law, s. 6.1]*

Directors are required by the CNCA and the By-Law to disclose the nature and extent of any interest in a material contract or transaction with New IPF that the director may have. The code of conduct will provide that, apart from a director's interest in contracts or transactions with New IPF, existing or proposed activities, appointments or commercial arrangements may constitute a conflict of interest if they might interfere with, or appear to interfere with, the director's ability to exercise independent judgment

in matters pertaining to New IPF. If one or more activities, appointments or commercial arrangements give rise to an actual or potential conflict of interest (or the appearance of such a conflict) by reason of interfering with, or appearing to interfere with, a candidate for the Board's ability to exercise independent judgment in matters pertaining to New IPF, New IPF expects that it will only be an unusual and exceptional circumstance for such candidate to be considered eligible to serve on the Board. Certain exceptions will be made for Industry Directors.

If a director becomes aware of an actual or potential conflict of interest or other matter such as an interest in a contract or transaction or an activity, proceeding, appointment or commercial arrangement, the director will be required to disclose to, and discuss with, the Chair and the CEO of New IPF.

5. FUNDING AND MAINTENANCE OF NEW IPF

Relevant Criteria: ***Funding and Maintenance of [New IPF]***

*a) [NEW IPF] must institute and publish one or more fair, transparent, and reasonable methodologies of establishing assessments for contribution for each category of SRO Members, which are investment dealers and mutual fund dealers (**Assessment Policies**).*

b) [New IPF] will conduct the analysis of risks associated with each category of SRO Members and, following which, determine whether a single assessment methodology is appropriate for all categories of SRO Members. Until such time as the analysis is completed,

(i) the funds available to satisfy potential claims for coverage by customers of each category of SRO Members must be segregated;

*(ii) the assessments must be calculated and levied discretely on the basis of independent assessment methodologies for each category of SRO Members and contributed to the segregated funds (each, a **Fund**); and*

(iii) [New IPF] must ensure a moratorium on any changes to the current assessment methodologies applied to fees or assessments that would result in a material increase to the assessments levied by [New IPF] on each category of SRO Members, unless authorized by the Commission.

c) The assessments must:

(i) reflect an equitable allocation among SRO Members, which may be based on the level of risk to which each SRO Member exposes [NEW IPF]; and

(ii) balance the need for [NEW IPF] to have sufficient revenues to satisfy claims in the event of an insolvency of any member of the relevant category of SRO Members and to have sufficient financial resources to satisfy its operational costs against the goal that there be no unreasonable financial barriers to becoming a member of the SRO.

d) [NEW IPF] must make all necessary arrangements for the notification to each category of SRO Members of [NEW IPF]'s assessments and the collection of such assessments, either directly or indirectly through the SRO.

e) The Board must determine the appropriate level of assets for each of the Funds. The Board will conduct an annual review of the adequacy of the Coverage Assets, assessment amounts and assessment methodologies; and will ensure that the level of Coverage Assets of each Fund remains adequate to cover potential claims of customers of the relevant category of SRO Members.

*f) Moneys in each Fund must be invested in accordance with the relevant policies, guidelines or other instruments (**Investment Policies**) applicable to that Fund and approved by the Board, who will be responsible for regular monitoring of the investments. The Investment Policies must require safety of principal and a reasonable income while at the same time ensuring that sufficient liquidity is available to pay potential claims in accordance with the Coverage Policies. All moneys and securities must be held by a qualified custodian, which are those entities considered suitable to hold securities on behalf of an SRO Member, for both inventory and client positions, without capital penalty, pursuant to the bylaws, rules or regulations of the SRO.*

g) [NEW IPF] must implement an appropriate accounting system, including a system of internal controls for maintaining [NEW IPF] Coverage Assets.

5.1 Two Fund Structure

In this application, "**Coverage Policy**" means the Coverage Policy attached to this application, as **Schedule 2.**

The Amalgamation Agreement sets out the following definitions:

"**CIPF Liabilities**" means liabilities, whether accrued, contingent or otherwise, that may be legally enforced against CIPF as at the time immediately prior to the Amalgamation.

"**MFDA IPC Liabilities**" means liabilities, whether accrued, contingent or otherwise, that may be legally enforced against the MFDA IPC as at the time immediately prior to the Amalgamation.

"**Investment Dealer Fund**" means the segregated fund available to satisfy potential claims for coverage by customers of registered investment dealers in accordance with the Coverage Policy which shall be comprised of, without duplication: (i) the CIPF Fund net of the CIPF Liabilities; (ii) all investment dealer assessments and other amounts received or receivable by the Amalgamated Corporation specifically for the benefit of the Investment Dealer Fund from and after the effective time of the Amalgamation net of liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation specifically for the benefit of the Investment Dealer Fund together with such proportion of the remaining liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation (and not otherwise incurred specifically for the benefit of the Mutual Fund Dealer Fund) as may have been determined by the Board to be referable to the Investment Dealer Fund from time to time; and (iii) all net income, proceeds and (re)investments of the assets identified in (i) and (ii) above.

"**Mutual Fund Dealer Fund**" means the segregated fund available to satisfy potential claims for coverage by customers of registered mutual fund dealers in accordance with the Coverage Policy which shall be comprised of, without duplication: (i) the MFDA IPC Fund net of the MFDA IPC Liabilities; (ii) all mutual fund dealer assessments and other amounts received or receivable by the Amalgamated Corporation specifically for the benefit of the Mutual Fund Dealer Fund from and after the effective time of the Amalgamation net of liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation specifically for the benefit of the Mutual Fund Dealer Fund together with such proportion of the remaining liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation (and not otherwise incurred specifically for the benefit of the Investment Dealer Fund) as may have been determined by the Board to be referable to the Mutual Fund Dealer Fund from time to time; and (iii) all net income, proceeds and (re)investments of the assets identified in (i) and (ii) above.

On the effective date of the Amalgamation,

a) the property of CIPF includes cash, securities and receivables held or maintained by CIPF as at the time immediately prior to the Amalgamation for purposes of satisfying claims or potential claims made in accordance with the CIPF Coverage Policy (the "**CIPF Fund**") and, from and after the effective time of the Amalgamation, the CIPF Fund will be designated as (and form part of) the Investment Dealer Fund of New IPF, and

b) the property of MFDA IPC includes cash, securities and receivables held or maintained by the MFDA IPC as at the time immediately prior to the Amalgamation for purposes of satisfying claims or potential claims made in accordance with the MFDA IPC Coverage Policy (the "**MFDA IPC Fund**") and, from and after the effective time of the Amalgamation, the MFDA IPC Fund will be designated as (and form part of) the Mutual Fund Dealer Fund of New IPF.

New IPF will maintain the Investment Dealer Fund and the Mutual Fund Dealer Fund as segregated funds such that:

a) the Investment Dealer Fund will be available to satisfy:

   (i) claims that may be made by clients of a registered investment dealer for compensation from the Investment Dealer Fund in accordance with the Coverage Policy,

   (ii) CIPF Liabilities, and

   (iii) those liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation specifically for the benefit of the Investment Dealer Fund together with such proportion of the remaining liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation (and not otherwise incurred specifically for the benefit of the Mutual Fund Dealer Fund) as may have been determined by the Board to be referable to the Investment Dealer Fund from time to time;

b) the Mutual Fund Dealer Fund will be available to satisfy:

   (i) claims that may be made by clients of a registered mutual fund dealer for compensation from the Mutual Fund Dealer Fund in accordance with the Coverage Policy,

(ii) MFDA IPC Liabilities, and

(iii) those liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation specifically for the benefit of the Mutual Fund Dealer Fund together with such proportion of the remaining liabilities incurred by the Amalgamated Corporation from and after the effective time of the Amalgamation (and not otherwise incurred specifically for the benefit of the Investment Dealer Fund) as may have been determined by the Board to be referable to the Mutual Fund Dealer Fund from time to time;

c) in no event will claims made by customers of an investment dealer or any CIPF Liabilities be satisfied from the Mutual Fund Dealer Fund or from any source of additional liquidity maintained for the benefit of the Mutual Fund Dealer Fund; and

d) in no event will claims made by customers of a mutual fund dealer or any MFDA IPC Liabilities be satisfied from the Investment Dealer Fund or from any source of additional liquidity maintained for the benefit of the Investment Dealer Fund.

New IPF may only vary these provisions if required by amendments to the Coverage Policy approved by the Board and by each Regulator. *[Amalgamation Agreement, s. 9]*

5.2 Assessment Policy and Appeals

Subject to a transitional moratorium on changes to assessment methodology(ies), New IPF will, in its discretion, adopt (and may approve amendments to) one or more policies establishing the formula(e) or methodology(ies) for, or principles governing, assessments of each category of SRO Members (the "**Assessment Policies**").

In accordance with the Assessment Policies, New IPF will determine and calculate, from time to time, the basis and rate of assessments levied on each category of SRO Members.

The Assessment Policies may also establish the dates by which assessments are due and payable by New SRO to New IPF and such other terms and conditions relating to the payment of assessments as may be desirable.

The Assessment Policies (and any amendment and proposed amendment thereto) will be in writing and promptly be provided to New SRO. New IPF will consult with, and afford New SRO a reasonable opportunity to comment on, and otherwise provide input to, each amendment proposed to the Assessment Policies. Following such consultation, New IPF will provide written notice of the amendment to be made to the Assessment Policies to the CSA no less than 60 days, and to New SRO no less than 90 days (or such shorter period as may be agreed by New SRO), prior to the effective date of such amendment.

A Risk Committee will be established by the Board of New IPF and its mandate will provide that the Board will delegate to it the duty to oversee and monitor the methodologies used to determine New IPF's requirements for Coverage Assets and the adequacy of New IPF's available Coverage Assets given the risk exposure associated with the failure of an SRO Member, as well as to oversee and monitor New IPF's management of enterprise risk. Among its other duties, the Risk Committee will provide recommendations to the Board in respect the annual assessment targets to be paid by the SRO Members as described in the Assessment Policies (Target Assessments).

Responsibility for approving procedures for the appeal of assessments (the "**Assessment Appeal Procedures**") will reside with the Board. However, the Risk Committee's mandate will include the duty for monitoring and overseeing compliance with the Assessment Appeal Procedures, and for deciding appeals, on behalf of the Board. Every fifth year, or as required, the Risk Committee will review, and provide recommendations to the Board in respect of, the Assessment Policies and the Assessment Appeals Procedures.

5.3 Moratorium on Changes to Assessment Methodology

Initially maintaining separate Funds will allow time for an assessment of risks associated with each category of SRO Members. The approval of the Regulators will be required for any change in the formula(e) or methodology(ies) for, or principles governing, the assessments to be levied on each category of SRO Members, or on any SRO Member or SRO Members individually, where such change could result in a material increase in the assessment(s) levied on the category of SRO Members (or SRO Member or SRO Members individually) in accordance with the Industry Agreement and the Assessment Policy, but only for as long as the approval of the Regulators is required for such changes under the terms of the Approval Order.

5.4 Mutual Fund Dealers with Customer Accounts in Québec

There is currently no coverage by MFDA IPC for mutual fund dealer activities in Québec. Consequently, mutual fund dealers are not subject to assessment to fund MFDA IPC in relation to accounts located in Québec. Mutual fund dealers operating exclusively in Québec are not required to be members of the MFDA, while mutual fund dealers with activities in one or more remaining

jurisdictions must be members of the MFDA. It is the Applicants' understanding that all mutual fund dealers in Canada will be members of New SRO. However, until it is required to do so, New IPF will not provide coverage for mutual fund dealer customer accounts in Québec and SRO Members will not be subject to assessments to contribute to the Mutual Fund Dealer Fund of New IPF in relation to mutual fund dealer customer accounts located in Québec.

5.5 Liquidity Resource (Coverage Asset) Requirements

Upon recommendation of the Risk Committee, the Board will: (i) set the methodologies used to determine the levels of Coverage Assets required for New IPF; (ii) establish New IPF's target Coverage Assets; and, (iii) set the level and mix of available Coverage Assets, taking into account the different purposes of New IPF's two Funds and associated Coverage Assets. The Risk Committee will be responsible for monitoring and overseeing the parameters, inputs, and methodologies used to determine New IPF's Coverage Assets requirements and reviewing the adequacy of New IPF's available Coverage Assets in relation to New IPF's targets, taking into account the different purposes of New IPF's two separate Funds and associated Coverage Assets.

5.6 Investment Policies

The Board will establish appropriate policies and procedures for investment. The mandate of the Audit, Finance & Investment Committee will include monitoring the performance of the investments and compliance with the investment policies. At least once every three years, the Audit, Finance & Investment Committee will review the investment policies and recommend amendments to the Board as necessary.

5.7 Accounting System

The Audit, Finance & Investment Committee will assist the Board in fulfilling its oversight responsibilities regarding the integrity of financial reporting and disclosure, the associated accounting policies, internal controls, and compliance and legal regulatory requirements, and to assess the financial and investment risks to which New IPF's Coverage Assets are exposed and to ensure that adequate management controls are in place to minimize such risk.

6. CUSTOMER PROTECTION

Relevant Criteria: ***Customer Protection***

a) [New IPF] must establish and maintain Coverage Policies which:

(i) provide for fair and adequate coverage, on a discretionary basis, for all customers of SRO Members, for losses of property comprising securities, cash, and other property (to the extent not specifically excluded or held in accounts located in Québec) held by SRO Members resulting from the insolvency of an SRO Member, including criteria for who is an eligible customer;

(ii) include fair and reasonable procedures for assessing claims made to [New IPF]. [New IPF] will respond as quickly as practicable in assessing and paying claims made pursuant to those procedures; and

(iii) allow [New IPF] to adequately disclose to customers of SRO Members, either directly or indirectly through the SRO, the principles and policies on which coverage will be available, including, but not limited to, the process for making a claim and the maximum coverage available per customer account.

b) In a case where a claim is not accepted for payment by [New IPF] staff or by an appointed committee, the claim must be reconsidered by an internal appeal committee if such a review is requested by a customer of an SRO Member or by [New IPF] staff. [New IPF] must establish within its Coverage Policies fair and reasonable internal claim review procedures for this purpose. An appeal committee will be comprised of one or more adjudicators who may or may not be directors. The Coverage Policies or other documentation must include criteria established by the Board for the selection of appeal committee members, including criteria that no director involved in the initial decision will be involved in reconsidering that decision.

c) The Coverage Policies must not prevent a customer of an SRO Member from taking legal action against [New IPF] in a court of competent jurisdiction in Canada. [New IPF] must not contest the jurisdiction of such a court to consider a claim where the claimant has exhausted [New IPF]'s internal appeals or review process.

6.1 Coverage Policies

The Board will establish a Coverage Committee with responsibilities for coverage policies and procedures. The following draft Coverage Policies are included with this application:

- Draft Coverage Policy, as **Schedule 2**

- Draft Claims Procedures, as **Schedule 3**
- Draft Appeal Committee Guidelines, as **Schedule 4**

The Coverage Policy offers fair and adequate coverage, on a discretionary basis, for losses arising from the insolvency of SRO Members, for all customers of SRO Members (except in relation to customer accounts in Québec maintained with mutual fund dealers). Initially, discrete coverage will be afforded (i) to customers of SRO Members who are in the category consisting of investment dealers, whose coverage will be funded only through the Investment Dealer Fund, and (ii) to customers of SRO Members who are in the category consisting of mutual fund dealers, whose coverage is funded only through the Mutual Fund Dealer Fund.

Coverage will not be available to customers in relation to their accounts in Québec maintained with mutual fund dealers.

The Disclosure Policy will describe the requirements, prescribed formats, and acceptable practices for disclosure of New IPF membership by an SRO Member (other than with respect to a mutual fund dealer's customer accounts in Québec).

The Claims Procedures develop fair and reasonable procedures for assessing claims and to pay eligible claims pursuant to these procedures, and allow for an internal appeal process if requested by the customer or by New IPF staff. A customer will not be precluded from taking legal action against New IPF where the customer has exhausted New IPF's internal appeal process.

The Appeal Committee Guidelines detail the appeal procedures and the establishment of appeal committees.

7. FINANCIAL AND OPERATIONAL VIABILITY

Relevant Criteria: ***Financial and Operational Viability***

[New IPF] must maintain adequate financial and operational resources, including adequate staff resources or external professional advisers, to permit [New IPF] to:

a) exercise its rights and perform its duties under this Approval Order; and

b) review, in accordance with the Industry Agreement, the business and operations of any SRO Member, or designated groups of SRO Members, where a situation has occurred that in the opinion of [New IPF] constitutes a reportable condition, as defined in the Industry Agreement.

7.1 Risk Committee

The Risk Committee will be responsible for monitoring and overseeing:

a) the parameters, inputs, and methodologies used to determine New IPF's Coverage Asset requirements and reviewing the adequacy of New IPF's available Coverage Assets in relation to New IPF's target level of Coverage Assets, taking into account the different purposes of New IPF's two separate Funds and associated Coverage Assets.

b) the procedures New IPF will have in place to monitor the adequacy of the New SRO capital requirements for SRO Members, and changes thereto.

c) the procedures New IPF has in place to identify and respond to member firms that may pose a risk to New IPF's available Coverage Assets.

7.2 Assessments

New IPF will levy assessments (including Regular Assessments, Replenishment Assessments, Asset Location Assessments and Additional Assessments) sufficient to meet New IPF's operating costs, to maintain Coverage Assets in the Investment Dealer Fund and the Mutual Fund Dealer Fund and to meet New IPF's obligations, when due, under any credit facility provided to New IPF.

8. RISK MANAGEMENT

Relevant Criteria: ***Risk Management***

a) [New IPF] must ensure that it has policies and procedures, including a process to identify and request all necessary information from the SRO, in order for [New IPF] to:

(i) fulfill [New IPF]Mandate and manage risks to the public and to [New IPF] assets;

(ii) assess whether the prudential standards and operations of [New IPF] are appropriate for the coverage provided and the risk incurred by [New IPF]; and

(iii) identify and deal with SRO Members that may be in financial difficulty.

b) While [New IPF] may rely on SRO to conduct reviews of SRO Members for [New IPF] purposes, [New IPF] must reserve the right to conduct reviews of SRO Members, in particular situations where [New IPF] has concerns about the integrity of the Coverage Assets or possible claims.

8.1 Rules Regarding Financial Strength and Business Conduct of Members

New SRO will prepare rules regarding the business and financial strength of SRO Members in order to minimize their risk of insolvency and losses to their customers, as well as rules regarding the business conduct of SRO Members to ensure SRO Members handle customers' business within the bounds of ethical conduct ("**Rules**").

New SRO will provide prior written notice of, and permit New IPF an opportunity to comment on any new, amended or deleted Rule. New IPF may, whenever it considers necessary or desirable in the context of changing industry or market practices, changing products, changing circumstances or risks or otherwise, propose to New SRO for consideration by it, its board of directors (or corresponding body) or committees any new Rules, or amendments or deletions to existing Rules, that are in order to enhance protection by New IPF of customers of SRO Members and to reduce risk of loss to be covered by New IPF.

New SRO will enforce the Rules against its SRO Members. The Rules will contain provisions requiring SRO Members (other than with respect to a mutual fund dealer's customer accounts in Québec) to adhere to the Rules and to permit the exercise of New SRO's and New IPF's respective rights and performance of their respective obligations under the Industry Agreement.

8.2 Action Where Member in Financial Difficulty

When an SRO Member (other than mutual fund dealers that exclusively maintain their customer accounts in Québec) is considered to be in financial difficulty by New IPF, New IPF may recommend to New SRO to take such action with respect to such SRO Member which is reasonable in the circumstances (and which is not contrary to law or to the requirements or order of any securities regulatory authority having jurisdiction in the matter) or take its own appropriate action as agreed to in the Industry Agreement.

8.3 Remedial Action For Compliance With Rules

New IPF determines may recommend to New SRO to take certain measures (other than such action that may be contrary to law to or to the requirements or order of any securities regulatory authority having jurisdiction in the matter) to ensure that SRO Members (other than mutual fund dealers that exclusively maintain their customer accounts in Québec) are complying with its Rules, or take its own appropriate action as agreed to in the Industry Agreement.

8.4 New SRO Reviews

New IPF will be entitled, with respect to each review of an SRO Member by New SRO: (i) to rely upon New SRO's findings; (ii) to review the working papers of the auditors of the SRO Member; (iii) to require the Audited Form 1s and any comparable reporting form approved by New SRO to be addressed to New IPF and available for review by New IPF; and (iv) to require auditor's reports and any special reports prepared by the auditors of the SRO Member or any other professionals in relation to the SRO Member, its financial position, its operations or its business to be addressed to New IPF.

9. AGREEMENT BETWEEN NEW IPF AND NEW SRO

Relevant Criteria: ***Agreement between [New IPF] and the SRO***

[New IPF] must comply with the Industry Agreement signed with the SRO.

9.1 Industry Agreement

New IPF will comply with the Industry Agreement when signed with New SRO. In addition to the Industry Agreement, New IPF and New SRO are expected to enter into a Transitional Services Agreement to confirm the termination of the Services Agreement dated July 1, 2005, as revised on October 3, 2012, between the MFDA and MFDA IPC.

10. ASSISTANCE TO NEW SRO

Relevant Criteria: ***Assistance to the SRO***

[New IPF] must assist the SRO when an SRO Member is in or is approaching financial difficulty. Such assistance will be provided in any way [New IPF] determines to be appropriate.

10.1 Industry Agreement

When an SRO Member (other than mutual fund dealers that exclusively maintain their customer accounts in Québec) is considered to be in financial difficulty by New IPF, New IPF may recommend to New SRO to take such action with respect to such SRO Member which is reasonable in the circumstances (and which is not contrary to law or to the requirements or order of any securities regulatory authority having jurisdiction in the matter) or take its own appropriate action as agreed to in the Industry Agreement.

11. COLLECTION OF INFORMATION

Relevant Criteria: ***Collection of Information***

Subject to applicable legislation, [New IPF] must:

a) collect, use and disclose personal information only to the extent reasonably necessary to carry out [New IPF] regulatory activities and [New IPF] Mandate; and

b) protect personal information and confidential business information in its custody or under its control.

11.1 Privacy Policies

New IPF will implement, through codes of conduct and otherwise, privacy policies that comply with applicable Canadian personal information legislation.

12. INFORMATION SHARING AND REGULATORY COOPERATION

Relevant Criteria: ***Information Sharing and Regulatory Cooperation***

a) [New IPF] must provide the Commission[1] *with reports, documents and information as the Commission or its staff may request.*

b) [New IPF] shall have mechanisms in place to enable it to share information and otherwise co-operate with the Commission.

12.1 Cooperation with the Commission

New IPF will provide to the Commission such reports, documents and information as the Commission or its staff may request. New IPF will have procedures and mechanisms in place to share information and otherwise co-operate with the Commission.

13. ONGOING REPORTING REQUIREMENTS

Relevant Criteria: ***Ongoing Reporting Requirements***

[New IPF] must comply with the reporting requirements set out in Schedule B of this Approval Order, as amended from time to time by the Commission.

13.1 Reporting to the Commission

New IPF will have procedures and mechanisms in place to meet the reporting requirements of the Commission referenced in Schedule B to the Approval Order.

14. APPROVAL OF AMENDMENTS

Relevant Criteria: ***Approval of Amendments***

a) Prior Commission approval is required for any amendment to the following:

(i) [New IPF]'s Coverage Policies; or

(ii) [New IPF's by-laws.

b) Prior Commission approval is required for any material change to the Industry Agreement. A material change is one that directly affects the [New IPF] Mandate.

1 "Commission" refers to any Regulator in its draft Approval or Acceptance Order.

c) When seeking Commission approval of any amendments or material change pursuant to (a) or (b) above, [New IPF] must comply with the processes outlined in Schedule B of the MOU, as amended from time to time.

14.1 Commission Approval

New IPF will seek Commission approval prior to making any amendment to its Coverage Policies or by-laws. Prior Commission approval will be obtained prior to any amendment to the Industry Agreement that directly affects the New IPF Mandate. When seeking such approval, New IPF will comply with the processes outlined in Schedule B of the MOU, as amended from time to time.

15. SUBMISSIONS

The Applicants respectfully submit that the proposed structure, policies and operations of New IPF satisfy the Criteria and request that New IPF be approved/accepted as a customer compensation/contingency fund under the applicable securities legislation referred to at the beginning of this letter. The Applicants consent to the publication of this application for public comment by any of the Regulators.

Yours very truly,

"Rozanne Reszel" ***"Odarka Decyk"***

SCHEDULE 1

DRAFT BY-LAW NO. 1 OF NEW IPF

**[English Name for "New IPF"/
French Name for "New IPF"]**

BY-LAW NUMBER 1

BE IT ENACTED as a by-law of the **[English Name for "New IPF"/French Name for "New IPF"]**, which was amalgamated under the *Canada Not-for-profit Corporations Act* (the "**Act**") or a predecessor thereof, as follows:

1. DEFINITIONS

1.1 Any capitalized terms used in this By-law that are not defined below shall have the meaning attributed thereto in the Act. In this By-law, the following words and terms shall have the meanings set out below:

"**Affiliate**" has the meaning of an affiliated body corporate under the Act;

"**Amalgamation**" means the amalgamation of the Predecessor Corporations to form the Corporation;

"**Articles**" means the articles of amalgamation of the Corporation;

"**Associate**", where used to indicate a relationship with any person, means:

(a) any body corporate of which such person beneficially owns, directly or indirectly, voting securities carrying more than ten percent (10%) of the voting rights attached to all voting securities of the body corporate for the time being outstanding;

(b) a partner of that person;

(c) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity;

(d) any relative of that person who resides in the same home as that person;

(e) any person who resides in the same home as the person and to whom that person is married or with whom that person is living in a conjugal relationship outside of marriage; or

(f) any relative of a person mentioned in clause (e) above, who has the same home as that person.

"**Board**" means the board of directors of the Corporation;

"**By-law**" means this by-law and any other by-laws of the Corporation;

"**Chief Executive Officer**" means the person appointed by the Board, from time to time, as Chief Executive Officer of the Corporation;

"**Corporation**" means the [English Name for "New IPF"/French Name for "New IPF"] amalgamated under the Act;

"**Directors**" means the persons comprising the Board;

"**Governance, Nominating & Human Resources Committee**" means the committee established pursuant to Section 5 of this By-law;

"**Industry Director**" means a Director elected (or appointed to fill a vacancy) and holding office pursuant to Section 4.2.1 of this By-law and who:

(a) is not, and has not been within the 12 month period prior to their election or appointment, an officer (other than the Chair or the Vice-Chair) or employee of the Corporation, and

(b) is actively engaged in the securities industry as a partner, director, officer or employee or person acting in a similar capacity of an SRO Member or of an Affiliate or Associate of an SRO Member.

Effective as of January 1, 2023

For all purposes of this By-law, an Industry Director of a Predecessor Corporation who is appointed as an Industry Director of the Corporation as at the date of the Amalgamation but does not qualify as an Industry Director under such definition shall be deemed to qualify as an Industry Director and to continue so qualified as long as and until the end of their current 2 year term, calculated to include time served as an Industry Director of a Predecessor Corporation in accordance with Section 4.2.3;

"**Members**" means the members of the Corporation;

"**Predecessor Corporation**" means the Canadian Investor Protection Fund/Fonds canadien de protection des épargnants and the MFDA Investor Protection Corporation/Corporation de protection des investisseurs de l'ACFM;

"**Public Director**" means a Director elected (or appointed to fill a vacancy) and holding office pursuant to Section 4.2.2 of this By-law and who is not, and has not been within the 12 month period prior to their election or appointment:

(a) an officer (other than the Chair or the Vice-Chair) or employee of the Corporation;

(b) a director, officer, employee or person acting in a similar capacity of an SRO;

(c) a person who is a partner, director, officer, employee or a person acting in a similar capacity of, or the holder of a significant interest in, an SRO Member or of an Affiliate or Associate of an SRO Member; or

(d) an Associate of a person described in subparagraph (a), (b) or (c) or of an SRO Member.

For all purposes of this By-law, a Public Director of a Predecessor Corporation who is appointed as a Public Director of the Corporation as at the date of the Amalgamation and who subsequently ceases to qualify as a Public Director under such definition shall be deemed to qualify as a Public Director and to continue so qualified as long as and until the end of their current 2 year term, calculated to include time served as a Public Director of a Predecessor Corporation in accordance with Section 4.2.3. For the purposes of this definition of a Public Director, a "significant interest" means in respect of any person the holding, directly or indirectly, of the securities of such person carrying in aggregate ten percent (10%) or more of the voting rights attached to all of the person's outstanding voting securities;

"**SRO**" means the [English Name for "New SRO"/French Name for "New SRO"];

"**SRO Member**" means a registered investment dealer or registered mutual fund dealer, which is a member, approved participant or similar participating organization of the SRO, provided that the Board may exclude any person or class of persons from this definition of SRO Member.

2. CONDITIONS OF MEMBERSHIP

2.1 **Membership.** Membership in the Corporation shall consist only of the persons who compose the Board from time to time. Subject to the terms of this By-law and the Act, each Member shall have equal voting rights.

2.2 **Termination of Membership.** The membership of a Member shall terminate upon their resignation or removal from, or otherwise ceasing to hold, office as a Director of the Corporation.

3. HEAD OFFICE

3.1 **Head Office.** Until changed in accordance with the Act, the head office of the Corporation shall be in the City of Toronto in the Province of Ontario.

4. BOARD OF DIRECTORS

4.1 **Composition of Board.** The property and business of the Corporation shall be managed by a Board consisting of not fewer than 8 or more than 12 Directors, provided that the Board may initially consist of 15 Directors with such number of Directors reduced (to the maximum number of 12 Directors) upon the expiry of terms of office held at the time of the Amalgamation (and all renewals thereof contemplated by Section 4.2.3) to the extent such reduction permits the Board to otherwise remain in compliance with the provisions of this Section 4. The Board shall be composed of Industry Directors, Public Directors and the Chief Executive Officer, subject to their election by the Members or appointment by the Board in accordance with this By-law. The number of Directors, including the number of Industry Directors and Public Directors, shall be determined from time to time by a resolution passed at a meeting of the Members of the Corporation, provided that the number of Public Directors shall exceed the number of Industry Directors by at least one. Directors must be individuals who are at least 18 years of age who are not incapable, within the meaning of the Act, and who do not have the status of a bankrupt. The nomination and election of Directors shall be made bearing in mind the desirability of appropriate and timely regional representation and, in the case of Industry Directors, experience with the various aspects of the nature of the business carried on by SRO Members.

4.2 **Election and Term**

4.2.1 **Industry Directors.** Industry Directors shall be nominated by the Board for election by the Members at an annual meeting of Members, provided that each Industry Director shall satisfy the criteria in the definition of "Industry Director". An Industry Director shall hold office for a term of 2 years and shall be eligible for re-appointment or re-election for three additional 2-year terms. Notwithstanding the foregoing, Industry Directors may be appointed or elected for a term of less than 2 years in order to accommodate staggered terms of office among all Industry Directors. An Industry Director holding office who ceases to qualify as an Industry Director after the date of their election or appointment shall be deemed to continue to qualify as an Industry Director until the expiry of the current term of office held by them on the date they cease to qualify as an Industry Director.

4.2.2 **Public Directors.** Public Directors shall be nominated by the Board for election by the Members at an annual meeting of Members, provided that each Public Director shall satisfy the criteria in the definition of "Public Director". A Public Director shall hold office for a term of 2 years and be eligible for re-appointment or re-election for three additional 2-year terms. Notwithstanding the foregoing, Public Directors may be elected for a term of less than 2 years in order to accommodate staggered terms of office among all Public Directors. A Public Director holding office who ceases to qualify as a Public Director after the date of their election or appointment shall no longer be eligible to serve as a Public Director effective on the date they ceased to qualify as a Public Director.

4.2.3 **Transition.** The terms of office of Directors who were directors of a Predecessor Corporation at the time of the Amalgamation shall continue according to the length of such terms in accordance with their election or appointment and, on the expiration of the term of office of any such Director, they shall be eligible for re-election or re-appointment for a further 2 year term or terms to a maximum of 4 terms; provided that in no event shall any such Director (other than the Chair or Vice-Chair in accordance with Section 4.3) be eligible to serve in aggregate for more than 8 years (including for greater certainty, any years served prior to the Amalgamation (other than any partial years served) by Directors who were directors of a Predecessor Corporation at the time of the Amalgamation).

4.3 **Chair, Vice-Chair and Lead Public Director**

4.3.1 **Chair.** The Chair shall be appointed by the Board from time to time (with the initial Chair being that individual identified in the agreement setting out the terms of the Amalgamation). The person appointed as Chair shall be a person who qualifies as either an Industry Director or a Public Director. The term of office of the Chair shall be as determined by the Board provided that the Chair shall not serve for longer than 2 consecutive 2-year terms (calculated without reference to any terms served as a Director or Vice-Chair); provided that in no event shall the Chair be eligible to serve in aggregate as a Director, the Chair or Vice-Chair for more than 10 years (including, for greater certainty, any years served prior to the Amalgamation (other than any partial years served) by Directors who were directors of a Predecessor Corporation at the time of the Amalgamation). Where the Chair ceases to be a Director for any reason, the Chair's term of office as Chair shall terminate concurrently with the end of their term as Director.

4.3.2 **Vice-Chair .** The Board may also appoint from time to time a Vice-Chair (with the initial Vice-Chair being that individual identified in the agreement setting out the terms of the Amalgamation). The person appointed as Vice-Chair shall be a person who qualifies as either an Industry Director or Public Director. The term of office of the Vice-Chair shall be as determined by the Board provided that the Vice-Chair shall not serve for longer than 2 consecutive 2-year terms (calculated without reference to any terms served as a Director or Chair); provided that in no event shall the Vice-Chair be eligible to serve in aggregate as a Director or the Vice-Chair for more than 10 years (including, for greater certainty, any years served prior to the Amalgamation (other than any partial years served) by Directors who were directors of a Predecessor Corporation at the time of the Amalgamation). Where the Vice-Chair ceases to be a Director for any reason, the Vice-Chair's term of office as Vice-Chair shall terminate concurrently with the end of their term as Director.

4.3.3 **Lead Public Director.** The Public Directors shall appoint from time to time a Lead Public Director. The person appointed as Lead Public Director shall be a person who qualifies as a Public Director, and may be the Chair or Vice-Chair. The term of office of the Lead Public Director shall be the term of the Public Director pursuant to Section 4.2. The Lead Public Director's responsibilities shall be determined from time to time by the Board.

4.4 **Chief Executive Officer.** The Board shall appoint a Chief Executive Officer of the Corporation who, unless determined otherwise by the Board, shall also be the President of the Corporation. The Chief Executive Officer shall not, directly or indirectly, while so serving the Corporation, be engaged by, be in the employ of, or be an officer, director, direct or indirect shareholder or partner, as the case may be, of an SRO or of an SRO Member (other than, in the case of indirect shareholdings, an SRO Member forming part of a diversified financial services group). The Chief Executive Officer appointed by the Board shall be nominated by the Board for election as a Director at each annual meeting of Members for a term ending at the conclusion of the next following annual meeting of Members.

4.5 **Vacancies.** The office of Director shall be automatically vacated:

(a) if the Director shall resign such office by delivering a written resignation to the Secretary of the Corporation;

(b) if the Director is found by a court to be incapable within the meaning of the Act;

(c) if the Director becomes bankrupt;

(d) if, at a meeting of the Board, the Directors are of the opinion that due cause exists, including the fact that the Director, without reasonable grounds, has not attended a sufficient number of Board meetings;

(e) if the Director becomes ineligible to be a Director subsequent to their appointment;

(f) on death;

provided that if any vacancy shall occur for any reason contained in this Section, and if a quorum of Directors remains in office, the Board, by majority vote, may, by appointment, fill the vacancy with a qualified person who will serve until the next annual meeting of Members.

4.6 **Retiring Director.** Unless the office of a Director has been automatically vacated pursuant to Section 4.5, a Director shall remain in office until the dissolution or adjournment of the meeting at which a successor is elected or appointed.

4.7 **Removal.** Subject to Section 131 of the Act, the Members may, by ordinary resolution passed at a special meeting of Members, remove any Director from office before the expiration of the Director's term and may elect a qualified individual to fill the resulting vacancy for the remainder of the term of the Director so removed, failing which such vacancy may be filled by the Board.

4.8 **Place of Meeting, Notice, Voting and Quorum.** Meetings of the Board will be held in Toronto unless otherwise determined by the Board. Meetings of the Board may be called by the Chair, the Vice-Chair, the Chief Executive Officer or any two (2) Directors at any time, provided that 24 hours' written notice of such meeting shall be given, other than by mail, to each Director. Notice by mail shall be sent at least 14 days prior to the meeting. There shall be at least 4 meetings of the Board per calendar year. No error or omission in giving notice of any meeting of the Board or any adjourned meeting of the Board shall invalidate such meeting or make void any proceedings taken thereat and any Director may at any time waive notice of such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat. Each Director is authorized to exercise one vote provided that in the event of an equality of votes on any question at a meeting of the Board, the Lead Public Director shall have a second or casting vote. A quorum for the transaction of all business of the Board shall be a majority of the Directors, provided that at least two Industry Directors are present and the number of Public Directors present shall exceed the number of Industry Directors present by at least one. A quorum may be comprised in whole or in part of Directors attending a meeting of the Directors by means of teleconference or by other electronic means in accordance with Section 4.9 Notwithstanding anything contained herein, any Director may, if in the opinion of the Chair, Vice-Chair or Chief Executive Officer, the financial condition of an SRO Member is such that immediate action by the Directors may be required, call a meeting of Directors to consider the action to be taken by giving three hours' prior notice of such meeting by teleconference or other electronic means to each Director, but no such notice shall be required where all of the Directors are in attendance personally or by teleconference or other electronic means, as the case may be, in the manner referred to in Section 4.9 at a meeting so called.

4.9 **Meetings by Teleconference.** Directors may hold meetings by teleconference or by other electronic means that permit all persons participating in the meeting to hear each other.

4.9.1 If all of the Directors of the Corporation consent thereto generally or in respect of a particular meeting, a Director may participate in a meeting of the Board or of a committee of the Board by means of such conference telephone or other electronic communications facilities to which all Directors have equal access and which permit all persons participating in the meeting to hear and communicate with each other. A Director participating in a meeting by such means is deemed to be present at the meeting.

4.9.2 At the commencement of each such meeting, the secretary of the meeting will record the names of those persons in attendance in person or by electronic communications facilities and the chair of the meeting will determine whether a quorum is present. The chair of each such meeting shall determine the method of recording votes thereat, provided that any Director present may require all persons present to declare their votes individually. The Directors shall take such reasonable precautions as may be necessary to ensure that any electronic communications facilities used are secure from unauthorized interception or monitoring.

4.10 **Resolutions and Conduct of Meetings.** Resolutions will be passed by a majority of the Directors present and voting on the resolution by a verbal vote recorded by the secretary of the meeting, unless the Act or this By-law otherwise provides. If permitted by law, a resolution in writing signed by all of the Directors entitled to vote on that resolution at a meeting of

Directors or committee of Directors is as valid as if it had been passed at a meeting of Directors or committee of Directors. In the absence of the Chair or the Vice-Chair at any meeting of Directors, the chair of the meeting shall be selected by the Directors present. The Directors may make such other regulations governing their meetings, proceedings and any other administrative matters as they consider necessary or desirable.

4.11 **Remuneration of Directors.** The Public Directors and Industry Directors shall be entitled to receive such remuneration as the Board may determine from time to time; and a Director may be paid reasonable expenses incurred by the Director in the performance of their duties.

4.12 **Agents, Employees and Advisors.** The Board may appoint such agents, employees and advisors as it shall deem necessary from time to time and such persons shall have such authority and shall perform such duties as shall be prescribed by the Board at the time of such appointment.

4.13 **Remuneration of Officers, Agents, Employees and Committee Members.** A reasonable remuneration of all officers, agents and employees and committee members may be fixed by the Board or committee authorized by the Board.

5. COMMITTEES

5.1 **Governance, Nominating & Human Resources Committee.** The Board shall appoint a Governance, Nominating & Human Resources Committee which shall be composed of 3 or more Directors (including one or both of the Chair and Vice-Chair), a majority of whom shall be Public Directors, and carry out such duties and tasks as set out in the By-law or as determined by the Board from time to time. The chair of the Governance, Nominating & Human Resources Committee shall be a Public Director. The Governance, Nominating & Human Resources Committee shall recommend nominations to the Board for Industry Directors, Public Directors, Chair, Vice-Chair, Chief Executive Officer, and any other nomination as requested by the Board from time to time.

5.2 **Audit, Finance and Investment Committee.** The Board shall appoint an Audit, Finance and Investment Committee composed of 3 or more Directors, a majority of whom shall be Public Directors. The chair of the Audit, Finance and Investment Committee shall be a Public Director. The Audit, Finance and Investment Committee shall be responsible for the review of the Corporation's financial statements and such other functions as the Board may determine.

5.3 **Other Committees.** The Directors may in their sole discretion at any time and from time to time appoint from among their number committees consisting of one or more Directors and may delegate to such committees any authority of the Directors. Notwithstanding the foregoing sentence and for greater certainty (i) in the case of any committee with the responsibility for making coverage determinations a person who has ceased to be a Director and who was a member of any such committee immediately prior to ceasing to be a Director may continue to be a member of the committee with full rights to vote and participate for such period of time as determined by the Board in order to complete any business of the committee in which the Director was engaged prior to their ceasing to be a Director and (ii) any committee with the responsibility for hearing and deciding claims appeals shall not be, or be considered to be, a committee of the Board.

6. INTEREST OF DIRECTORS AND OFFICERS IN CONTRACT

6.1 (a) **Conflict of Interest.** Any Director or officer of the Corporation who:

(i) is a party to a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation; or

(ii) is a director or officer of or has a material interest in any body corporate or business firm, whether direct or indirect, who is a party to a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation,

shall disclose in writing at the Directors' meeting, or have entered in the minutes, the nature and extent of such Director or officer's interest in such actual or proposed material contract or material transaction with the Corporation. An Industry Director shall not have or be deemed to have an interest in an actual or proposed material contract or transaction with the Corporation for the purposes of this Section 6 by virtue only of being an officer or director of, or having a material interest in, an SRO Member or an Affiliate of an SRO Member.

(b) The disclosure required by sub-section (a) above, shall be made, in the case of a Director:

(i) at the Directors' meeting at which a proposed contract or proposed transaction is first considered;

(ii) if the Director was not then interested in a proposed contract or proposed transaction, at the first Directors' meeting after such Director becomes so interested; or

(iii) if the Director becomes interested after a contract or transaction is made, at the first Directors' meeting held after the Director becomes so interested; or

(iv) if an individual who is interested in a contract or transaction later becomes a Director, at the first Directors' meeting held after the individual becomes a Director.

(c) The disclosure required by sub-section (a) above, shall be made, in the case of an officer who is not a Director:

(i) immediately after the officer becomes aware that the contract, transaction, proposed contract, or proposed transaction is to be considered or has been considered at a Directors' meeting;

(ii) if the officer becomes interested after a contract or transaction is made, immediately after the officer becomes so interested; or

(iii) if an individual who is interested in a contract or transaction later becomes an officer, immediately after the individual becomes an officer.

(d) If a material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of carrying on the Corporation's purposes, would not require approval by the Directors or Members, a Director or an officer shall, immediately after becoming aware of the contract or transaction, disclose in writing to the Corporation or request to be entered into the minutes of a meeting of the Directors, the nature and extent of the interest.

(e) A Director required to make a disclosure in sub-section (a) above shall not vote on any resolution to approve the contract or transaction unless the contract or transaction

(i) relates primarily to the Director's remuneration as a Director, an officer, an employee, or an agent of the Corporation or an Affiliate;

(ii) is for indemnity or insurance under Section 151 of the Act; or

(iii) is with an Affiliate.

(f) For the purposes of this Section 6.1, a general written notice to the Directors declaring that a Director or officer is to be regarded as interested, for any of the following reasons, in a contract or transaction made with a party, is a sufficient declaration of interest in relation to the contract or transaction, if:

(i) the Director or officer is a director or officer, or acting in a similar capacity, of a party referred to in sub-section 6.1(a)(ii);

(ii) the Director or officer has a material interest in the party; or

(iii) there has been a material change in the nature of the Director's or the officer's interest in the party.

(g) A contract or transaction for which disclosure is required is not invalid, and the Director or officer is not accountable to the Corporation or its Members for any profit realized from the contract or transaction, because of the Director's or officer's interest in the contract or transaction or because the Director was present or was counted to determine whether a quorum existed at the meeting of Directors that considered the contract or transaction if

(i) disclosure of the interest was made in accordance with this Section;

(ii) the Directors approved the contract or transaction; and

(iii) the contract or transaction was reasonable and fair to the Corporation when it was approved.

(h) Even if the conditions under Section 6.1(g) above are not met, a Director or an officer, acting honestly and in good faith, is not accountable to the Corporation or to its Members for any profit realized from a contract or transaction for which disclosure is required, and the contract or transaction is not invalid by reason only of the interest of the Director or officer in the contract or transaction, if:

(i) the contract or transaction is approved or confirmed by special resolution at a meeting of Members;

(ii) disclosure of the interest was made to the Members in a manner sufficient to indicate its nature and extent before the contract or transaction was approved or confirmed by the Members; and

(iii) the contract or transaction was reasonable and fair to the Corporation when it was approved or confirmed by the Members.

(i) A contract is not void by reason only of the failure of a Director or officer to comply with the provisions of this Section 6.1 but a court may, upon the application of the Corporation or a Member, set aside or annul the contract or transaction on any terms that it thinks fit, require the Director or officer to account to the Corporation for any profit or gain realized on the contract or transaction, or make any other order that the court thinks fit.

7. PROTECTION OF OFFICERS AND DIRECTORS

7.1 **Standard of Care.** Every Director and officer of the Corporation, in exercising such person's powers and discharging such person's duties, shall act honestly and in good faith with a view to the best interests of the Corporation and shall exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances. Every Director and officer of the Corporation shall comply with the Act, the regulations, Articles, and By-law.

7.2 **Limitation of Liability.** Provided that the standard of care required of the Director or officer under the Act and the By-law has been satisfied, no past or present member of the Board or any committee or sub-committee thereof or of the Corporation, nor any past or present officer, employee or agent of any of them, shall be liable for the acts, receipts, neglects or defaults of any other of such persons, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on their part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of their office or in relation thereto; provided that nothing herein shall relieve any such person from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

7.3 **Indemnity.** Each past and present member of the Board or any committee or sub-committee thereof or of the Corporation, and each past and present officer, employee or agent of the Corporation, and any other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any company controlled by it, and their heirs, executors and administrators, and estate and effects, respectively, shall from time to time and at all times, be indemnified and saved harmless out of the funds of the Corporation, from and against:

(a) all costs, charges, fines and penalties and expenses which such Board, committee or sub-committee member, officer, employee, agent or other person sustains or incurs in or about or to settle any action, suit or proceeding which is threatened, brought, commenced or prosecuted against him or her, or in respect of any act, deed, matter or thing whatsoever, made, done or permitted by him or her, in or about the execution of the duties of their office or in respect of any such liability; and

(b) all other costs, charges and expenses which they sustain or incur in or about or in relation to the affairs thereof, including an amount representing the value of time any such Board, committee or sub-committee member, officer employee, agent or other person spent in relation thereto and any income or other taxes or assessments incurred in respect of the indemnification provided for in this By-law, except such costs, charges or expenses as are occasioned by their own wilful neglect or default,

if:

(c) the person acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the Corporation's request; and

(d) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that the conduct was lawful.

The Corporation shall also indemnify such persons in such other circumstances as the Act permits or requires. Nothing in this By-law shall limit the right of any person entitled to indemnity apart from the provisions of this By-law.

7.4 **Action, Suit or Proceeding Threatened, Brought, etc. by the Corporation.** Where the action, suit or proceeding referred to in Section 7.3(a) above is threatened, brought, commenced or prosecuted by the Corporation against a Board, committee or sub-committee member, officer, employee, agent or other person who has undertaken or is about to undertake any liability on behalf of the Corporation or any company controlled by it, the Corporation shall make application at its expense for approval of the court to indemnify such persons, and their heirs, executors and administrators, and estates and effects respectively, on the same terms as outlined in Section 7.3.

8. INSURANCE

8.1 **Insurance.** The Corporation may purchase and maintain insurance for the benefit of any person referred to in Section 7.3 against such liabilities and in such amounts as the Board may from time to time determine and are permitted by the Act.

9. POWERS OF DIRECTORS

9.1 **Powers.** The Directors may administer the affairs of the Corporation in all things and make or cause to be made for the Corporation, in its name, any kind of contract which the Corporation may lawfully enter into and, save as hereinafter provided, generally, may exercise all such other powers and do all such other acts and things as the Corporation is by its Articles or otherwise authorized to exercise and do.

9.2 **Expenditures.** The Directors shall have power to authorize expenditures on behalf of the Corporation from time to time and may delegate by resolution to an officer or officers of the Corporation the right to employ and pay salaries to employees on behalf of the Corporation.

9.3 **Funding.** The Board shall take such steps as they may deem requisite to enable the Corporation to acquire, accept, solicit or receive contributions, assessments, fines, levies, legacies, gifts, grants, settlements, bequests, endowments and donations of any kind whatsoever for the purpose of furthering the objects of the Corporation.

10. OFFICERS

10.1 **Appointment.** The officers of the Corporation, which shall include the offices of Chief Executive Officer and may include the offices of President, Senior Vice-President, Vice-President, Secretary and Chief Financial Officer and any such other officers as the Board may determine by by-law, shall be appointed by resolution of the Board at the first meeting of the Board following the annual meeting of Members in which the Directors are elected. A person may hold more than one office. Each Director, by reason of being such, shall be regarded an officer of the Corporation in addition to any other officers who may from time to time be appointed by the Board.

10.2 **Term and Removal of Officers.** The officers of the Corporation, other than those who are officers solely by reason of being members of the Board, shall hold office for such terms as the Board may determine or until their successors are elected or appointed in their stead and shall be subject to removal by resolution of the Board at any time.

11. DUTIES OF OFFICERS

11.1 **Chair.** The Chair shall be appointed pursuant to Section 4.3 and shall preside at all meetings of Members and of the Board and shall oversee the general management of the affairs of the Corporation.

11.2 **Vice-Chair.** The Vice-Chair shall be appointed pursuant to Section 4.3 and in the absence of the Chair shall preside at meetings of the Members and of the Board and shall have such other duties as may be determined by the Board.

11.3 **Chief Executive Officer.** The Chief Executive Officer's responsibilities, duties, remuneration, term and duration of employment shall be determined from time to time by the Board. The Chief Executive Officer shall not, directly or indirectly, while so serving the Corporation, be engaged by, be in the employ of, or be an officer, director, direct or indirect shareholder or partner, as the case may be, of an SRO or of an SRO Member (other than, in the case of indirect shareholdings, an SRO Member forming part of a diversified financial services group). The Chief Executive Officer may, unless determined otherwise by the Board, engage as employees of the Corporation such number of persons as the Chief Executive Officer may in their discretion deem necessary to assist the Chief Executive Officer in the performance of their duties. The Chief Executive Officer will also hold the office of President, unless determined otherwise by the Board, in which case the President's responsibilities, duties, remuneration, term and duration of employment shall be determined from time to time by the Board.

11.4 **Senior Vice-President and Other Vice-Presidents.** A Senior Vice-President, if appointed and to the extent authorized by the Board, shall, in the absence or disability of the Chief Executive Officer perform the duties and exercise the powers of the Chief Executive Officer and shall perform such other duties as shall from time to time be imposed upon such Senior Vice-President by the Board. A Vice-President, if any, shall perform such duties as shall from time to time be imposed upon the Vice-President by the Board. If, in the absence or disability of the Chief Executive Officer, a Senior Vice-President has not been appointed or authorized by the Board to perform the duties and exercise the powers of the Chief Executive Officer, the Board may impose such duties on, and delegate such powers to, a Vice-President.

11.5 **Chief Financial Officer.** The Chief Financial Officer shall be responsible for the financial administration and controls of the Corporation and shall perform such other duties as shall from time to time be imposed by the Board.

11.6 **Secretary.** The Secretary may be empowered by the Board, upon resolution of the Board, to carry on the affairs of the Corporation generally under the supervision of the officers thereof and shall attend all meetings and act as clerk thereof and record all votes and minutes of all proceedings in the books to be kept for that purpose. The Secretary shall give or cause to be given notice of all meetings of the Members and of the Board and shall perform such other duties as may be prescribed by the Board or by the President, under whose supervision the Secretary shall be. The Secretary shall be custodian of the seal of the Corporation, if any, which the Secretary shall deliver only when authorized by a resolution of the Board to do so and to such person or persons as may be named in the resolution.

11.7 **Duties of Officers.** The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or as the Board requires of them.

12. EXECUTION OF DOCUMENTS

12.1 **Execution of Documents.** Contracts, documents or any instruments in writing requiring the signature of the Corporation shall be signed by any two of the Chair, a Vice-Chair, the Chief Executive Officer, the President, the Senior Vice-President, a Vice-President, or Director, or a combination thereof. All contracts, documents and instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The Directors shall have power from time to time by resolution to appoint persons on behalf of the Corporation to sign specific contracts, documents and instruments in writing. The Directors may give the Corporation's power of attorney to any registered dealer in securities for the purposes of the transferring of and dealing with any stocks, bonds, and other securities of the Corporation. The seal of the Corporation when required may be affixed to contracts, documents and instruments in writing signed as aforesaid or by any person authorized to sign any such contract, document or instrument.

13. MEMBERS' MEETINGS

13.1 **Time and Place of Meetings.** Meetings of the Members shall be held at least once a year or more often if necessary at the head office of the Corporation or at any place in Canada as the Board may determine and on such day as the Board shall appoint. If all the Members entitled to vote at a meeting agree, such meeting may be held at any place outside Canada determined by the Board.

13.2 **Annual Meetings.** At every annual meeting, in addition to any other business that may be transacted, the report of the Directors, the financial statement and the report of the auditors shall be presented and auditors appointed for the ensuing year. The Members may consider and transact any business either special or general at any meeting of the Members. The Board, the Chair or the Chief Executive Officer shall have power to call, at any time, a general meeting of the Members. The Board shall call a special general meeting of Members on written requisition of at least 2 Members. A majority of the Members entitled to vote will constitute a quorum at any meeting of Members, provided that at least two Members present are also Industry Directors and a majority of the Members present are also Public Directors.

13.3 **Written Resolutions.** A resolution in writing, signed by all the Members entitled to vote on that resolution at a meeting of Members, is as valid as if it had been passed at a meeting of Members, provided that the matter dealt with by the resolution in writing is one which is not required by the Act to be dealt with at a meeting of Members.

13.4 **Means of Meetings.** Members may hold meetings by teleconference or by other electronic means that permit all persons participating in the meeting to hear each other and communicate adequately. If all the Members of the Corporation consent thereto generally or in respect of a particular meeting, a Member may participate in a meeting of the Members by means of such conference telephone or other electronic communications to which all Members have equal access and such as permit all persons participating in the meeting to hear and communicate with each other, and a Member participating in such a meeting by such means is deemed to be present at the meeting. At the commencement of each such meeting the secretary of the meeting will record the names of those persons in attendance in person or by electronic communications facilities and the chair of the meeting will determine whether a quorum is present. The chair of each such meeting shall determine the method of recording votes thereat, provided that any Member present may require all persons present to declare their votes individually. The chair of such meetings shall be satisfied that Members have taken such reasonable precautions as may be necessary to ensure that any electronic communications facilities used are secure from unauthorized interception or monitoring.

13.5 **Resolutions.** Resolutions will be passed by a majority of the Members entitled to vote by a verbal vote recorded by the secretary of the meeting, unless the Act or this By-law otherwise provides.

13.6 **Notice.** Notice of every meeting of Members must be given to each Member, Director, and the Corporation's public accountant or auditor. Any notice required pursuant to this By-law or the Act shall be sufficiently given:

(a) if delivered by mail, courier, or personal delivery during a period of 21 to 60 days before the day on which the meeting is to be held; or

(b) by electronic, telephonic, or other communication facility during a period of 21 to 35 days before the day on which the meeting is to be held.

Notice of any meeting where special business will be transacted should contain sufficient information to permit the Member to form a reasoned judgment on the decision to be taken.

A notice shall be deemed to have been given when it is delivered personally or to the recorded address; a notice mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice sent by any means of electronic or similar communication shall be deemed to have been given when delivered to the appropriate electronic server or equivalent facility. The declaration by the Secretary that notice has been given pursuant to this By-law shall be sufficient and conclusive evidence of the giving of such notice.

13.7 **Voting of Members.** Each Member entitled to vote and who is present at a meeting shall have the right to exercise one vote.

13.8 **Errors or Omissions in Giving Notice.** No error or omission in giving notice of any meeting or any adjourned meeting, whether annual or general, of the Members shall invalidate such meeting or make void any proceedings taken thereat and any person entitled to receive notice may at any time waive notice of any such meeting and may ratify, approve and confirm any or all proceedings taken or had thereat. For purpose of sending notice to any Member, Director, or officer for any meeting or otherwise, the address of the Member, Director, or officer shall be that person's last address recorded on the books of the Corporation.

14. POLICIES AND AGREEMENTS

14.1 **Policies.** The Board may exercise any of its powers and authority in accordance with policies, guidelines or other instruments adopted by it from time to time, and as repealed and amended in its discretion, including, without limitation, in respect of:

(a) the principles and criteria for payments by the Corporation to customers of insolvent SRO Members;

(b) definitions of customers who are eligible for payments referred to in (a);

(c) the rights or obligations of SRO Members to hold out the availability of coverage by the Corporation and the use of advertising materials in that regard; and

(d) the persons or classes of persons to be excluded from the definition of SRO Member in Section 1.1.

14.2 **Agreements.** The Corporation may enter into in its own name agreements or arrangements with any securities commission or regulatory authority, law enforcement agency, self-regulatory organization, stock exchange or other trading market, customer or investor protection or compensation fund or plan 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 its authority 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.

14.3 **Assistance.** The Corporation may provide to any securities commission or regulatory authority, law enforcement agency, self-regulatory organization, stock exchange, other trading market, customer or investor protection or compensation fund or plan 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 pursuant to the By-law or rules or otherwise in its possession and may provide other forms of assistance for surveillance, investigation, enforcement and other regulatory purposes.

15. FINANCIAL YEAR

15.1 **Financial Year.** Until determined otherwise by the Board, the financial year-end of the Corporation shall be the last day of December in each year.

16. AMENDMENT OF BY-LAWS

16.1 **Amendment of By-laws.** The Board may, by resolution, make, amend, or repeal any by-law that regulates the activities or affairs of the Corporation. Any such by-law, amendment, or repeal shall, subject to its terms, be effective from the date of the resolution of the Board until the next meeting of Members where it may be confirmed, rejected, or amended by the Members by ordinary resolution. If the by-law, amendment, or repeal is confirmed or confirmed as amended by the Members, it remains effective in the form in which it was confirmed. The by-law, amendment, or repeal ceases to have effect if it is not submitted to the Members at the next meeting of Members or if it is rejected by the Members at the

meeting. This Section does not apply to a by-law, amendment, or repeal that requires a special resolution of the Members and such by-law, amendment, or repeal will only be effective when confirmed by the Members.

17. AUDITOR

17.1 **Auditor.** The Members shall at each annual meeting appoint an auditor to audit the accounts of the Corporation for report to the Members at the next annual meeting. The auditor shall hold office until the next annual meeting, provided that the Directors may fill any casual vacancy in the office of auditor. The remuneration of the auditor shall be fixed by the Board.

18. BOOKS AND RECORDS

18.1 **Books and Records.** The Directors shall ensure that all necessary books and records of the Corporation required by the By-law of the Corporation or by any applicable statute or law are regularly and properly kept.

19. RULES AND REGULATIONS

19.1 **Rules and Regulations.** The Board may prescribe such rules and regulations not inconsistent with this By-law relating to the management and operation of the Corporation as they deem expedient.

20. INTERPRETATION

20.1 **Interpretation.** In this By-law and in all other by-laws of the Corporation hereafter passed, unless the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and references to persons shall include firms and corporations.

SCHEDULE 2

DRAFT COVERAGE POLICY

[New IPF]
100 King Street West, Suite 2610, Toronto, Ontario M5X 1E5 Telephone: 416-866-8366 Fax: 416-360-8441

COVERAGE POLICY

A. OVERVIEW

1. **[New IPF]** provides coverage to customers of members of **[New SRO]** accepted for membership in New IPF ("**New SRO Members**") for financial losses in respect of property held in customers' account caused solely by the insolvency of a New SRO Member. New IPF's objective is to either return assets to customers or, where assets are not available from the insolvent New SRO Member, provide compensation for their value as at the date of the insolvency. This Policy describes who is eligible as a customer, the kind of losses and property covered, the limits of coverage and how claims are determined and made.

2. New IPF has discretion in determining the customers eligible for protection and the financial loss covered by New IPF in the event of an insolvency of a New SRO Member. This Policy has been adopted to describe the way in which such discretion is intended to be exercised. New IPF reserves the right in the appropriate circumstances to authorize or withhold any payments in a manner other than as described in this Policy.

B. FUNDING FOR COVERAGE

1. New IPF maintains two segregated funds designed to provide coverage to eligible customers of New SRO Members (each a "**Fund**"). The Fund designated as the "**Investment Dealer Fund**" is available to satisfy potential claims for coverage under this Policy by customers of New SRO Members duly registered under Canadian securities legislation in the category of "investment dealer" or in the categories of both "investment dealer" and "mutual fund dealer" ("**Investment Dealers**"). The Fund designated as the "**Mutual Fund Dealer Fund**" is available to satisfy potential claims for coverage under this Policy by customers of New SRO Members duly registered under Canadian securities legislation only in the category of "mutual fund dealer" ("**Mutual Fund Dealers**").

2. **[New SRO]** maintains on its website at **[insert New IPF website]** a list of New SRO Members whose customers are entitled to protection subject to the terms of this Policy, identifying whether each New SRO Member is an Investment Dealer or a Mutual Fund Dealer.

3. New IPF will, in its discretion, assess Investment Dealers for contributions to the Investment Dealer Fund and arrange for discrete sources of liquidity for the Investment Dealer Fund (including lines of credit or insurance policies). Likewise, New IPF will, in its discretion, assess Mutual Fund Dealers for contributions to the Mutual Fund Dealer Fund and arrange for discrete sources of liquidity for the Mutual Fund Dealer Fund (including lines of credit or insurance policies).

4. ***Only the Investment Dealer Fund is available to satisfy claims for coverage under this Policy by eligible customers of Investment Dealers, and in no event will claims made by customers of an insolvent Mutual Fund Dealer be satisfied from the Investment Dealer Fund. Similarly, only the Mutual Fund Dealer Fund is available to satisfy claims for coverage under this Policy by eligible customers of Mutual Fund Dealers, and in no event will claims made by customers of an insolvent Investment Dealer be satisfied from the Mutual Fund Dealer Fund.***

C. CUSTOMERS AND ACCOUNTS

Eligible Customers and Eligible Accounts

1. A customer eligible for coverage under this Policy ("**Customer**") is an individual, corporation, partnership, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator or other legal representative who has an account with an insolvent New SRO Member used for transacting securities or commodity and futures contracts business with the New SRO Member (dealing as principal or agent) (an "**Account**"). An Account must be fully disclosed in the records of the New SRO Member and is normally evidenced by receipts, contracts and statements that have been issued by the New SRO Member.

2. Customers introduced to a New SRO Member by a foreign affiliate of the New SRO Member, in accordance with the requirements of New SRO, are considered Customers of the New SRO Member eligible for coverage. Accounts with entities other than a New SRO Member (but including, for greater certainty, a New SRO Member's affiliates or related organizations) are not Accounts for the purposes of this Policy.

Persons Excluded as Customers

3. A Customer does not include:

   i) a domestic or foreign securities or mutual fund dealer registered with a Canadian securities regulatory authority or foreign equivalent;

   ii) any individual or corporation to the extent that such person has a claim for cash or securities which by contract, agreement, or understanding, or by operation of law, is part of the capital of the insolvent New SRO Member such that the claim represents five percent or more of any class of equity securities of the insolvent New SRO Member, or any individual who has a claim which is subordinated to the claims of any or all creditors of the insolvent New SRO Member;

   iii) a general partner or director of the insolvent New SRO Member;

   iv) a limited partner with a participation of five percent or more in the net assets or net profits of the insolvent New SRO Member;

   v) a person with the power to exercise a controlling influence over the management or policies of the insolvent New SRO Member;

   vi) a clearing corporation;

   vii) a customer of an institution, securities dealer or other party dealing with a New SRO Member on an omnibus basis (being an account in which the transactions of two or more persons are combined without disclosure to the New SRO Member of the identity of such persons);

   viii) a person who caused or materially contributed to the insolvency of a New SRO Member, including, but not limited to, a person who has been declared by a court of competent jurisdiction to be a deferred customer pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada); and

   ix) a person who does not deal at arm's length (as determined by New IPF) with either an insolvent New SRO Member or a person who is excluded as a Customer.

Québec

4. While New SRO is recognized as a self-regulatory organization of which Mutual Fund Dealers operating in the Province of Québec are required to be members, those Mutual Fund Dealers are not required to contribute to the Mutual Fund Dealer Fund in respect of Customer Accounts located in Québec. Accordingly, Customer Accounts of Mutual Fund Dealers located in Québec will not be eligible for coverage by New IPF. Generally, a Customer Account is considered to be located in Québec for these purposes if the office serving the Customer is located in Québec.

D. LOSSES

1. Losses eligible for coverage by New IPF ("**Losses**") must be financial losses of a Customer caused solely by the insolvency of a New SRO Member. These losses must arise from the failure of the insolvent New SRO Member to return or account for Property (as defined below) of the Customer previously received, acquired or held by, or in the control of, the New SRO Member, including any such Property unlawfully converted.

2. Losses which do not result from the insolvency of a New SRO Member, such as losses from changing market values of securities, unsuitable investments or the default of an issuer of securities are not covered. Losses in a Customer's Account arising from business financing activities of the New SRO Member are also not covered.

E. PROPERTY COVERED

Types of Property

1. The property of a Customer for which New IPF coverage may be available in accordance with the provisions of this Policy includes securities, commodity and futures contracts, cash, cash equivalents and segregated funds received, acquired or held by, or in the control of, the New SRO Member ("**Property**").

Eligible Property

2. New IPF coverage may be available in respect of Property that is or should have been held by, or in the control of, an insolvent New SRO Member for the account of a Customer at the date of insolvency and which the

insolvent New SRO Member is obliged to return to the Customer. This kind of Property is commonly referred to as being in the "nominee name" of the New SRO Member (as opposed to "client name" as described below).

Ineligible Property

Customer (or Client) Name

3. Property that is not held by the New SRO Member, or not recorded in a Customer's Account as being held by a New SRO Member, such as securities that are registered directly in the name of the Customer with the issuer or deposits with financial institutions, is not eligible for New IPF coverage even though it was sold through the New SRO Member to the Customer. This kind of Property is commonly referred to as being in "client name" (as opposed to the "nominee name" of the New SRO Member), may appear on Customer account statements and is not eligible for coverage unless it is otherwise in the custody or control of the New SRO Member. Such custody or control may arise where a New SRO Member or its representatives have ostensible control over assets of a customer holding client name Property by virtue of a power of attorney, trading authorization or temporary receipt of cash intended to be received by an issuer.

Crypto Assets

4. Property received, acquired or held by, or in the control of, a New SRO Member that consists of crypto assets, crypto contracts, or other crypto-related property is not eligible for New IPF coverage. For greater certainty, Property consisting of securities of a mutual fund or exchange traded fund that invests in or holds crypto assets, crypto contracts or other crypto-related property is, however, eligible for New IPF Coverage.

Non-Compliant Property

5. Property received, acquired or held by, or in the control of, a New SRO Member in relation to which the New SRO Member is not permitted to trade under Canadian securities legislation is not eligible for New IPF Coverage.

F. LIMITS OF COVERAGE

Maximum for each Account

1. The maximum amount of coverage for eligible Property in a Customer's General Account (defined below), and in each Separate Account (defined below), is $1,000,000, subject to the aggregation of such Accounts as described below.

General Accounts

2. Each Account of a Customer shall be considered a General Account unless held in a capacity or circumstance set out below under "Separate Accounts" such that it qualifies as a Separate Account. All General Accounts of a Customer, or any interest the Customer may have in a General Account, shall be combined or aggregated so as to constitute a single General Account of such Customer for the purposes of determining the payments to be made to the Customer. The interest of a Customer in an Account which is held on a joint or shared ownership basis shall be treated as if it were a General Account and similarly combined with the other General Accounts of the Customer. An Account held by a nominee or agent for another person as a principal or beneficial owner shall, except as otherwise provided in this Policy, be deemed to be the Account of the principal or beneficial owner. All Accounts of a Customer opened with a New SRO Member by one or more domestic advisers registered with a Canadian securities regulatory authority, where those accounts are fully disclosed in the records of the New SRO Member, shall also be combined or aggregated to constitute a single General Account and combined with other General Accounts of the Customer, unless any such Accounts are otherwise Separate Accounts under this Policy. For the purposes of determining the maximum coverage available, the General and Separate Accounts that a Customer has with a New SRO Member will not be combined with the General and Separate Accounts that the same Customer may have with another New SRO Member, including another New SRO Member who has an introducing / carrying agreement with the first New SRO Member.

Separate Accounts

3. Each Account of a Customer held by it in the capacity or circumstance set out below shall be considered a Separate Account of the Customer. Unless otherwise indicated below, each Separate Account held by a Customer in the same capacity or circumstance shall be combined or aggregated so as to constitute a single Separate Account. The burden shall be on the Customer to establish each capacity or circumstance in which the Customer claims to hold Separate Accounts. An Account of a Customer shall not be a Separate Account if it existed on the date of insolvency primarily for the purpose of increasing protection by New IPF.

i) ***Registered Retirement Plans:*** *accounts of registered retirement or deferred income plans such as registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), life income funds (LIFs), locked-in retirement accounts or plans (LIRAs or LIRSPs) and locked-in retirement income funds (LRIFs) established for the account of a customer (excluding spousal plans) which comply with the requirements under the Income Tax Act (Canada) for such plans and which have been accepted by the Minister under such Act, where the customer is entitled to the benefits of the plan. Accounts established with respect to a customer through the same or different trustees shall be combined and aggregated.*

ii) ***Registered Education Savings Plans:*** *accounts of education savings plans which comply with the requirements under the Income Tax Act (Canada) for registered education savings plans and which have been accepted by the Minister under such Act, where the customer is the subscriber of the plan. Accounts established with respect to a customer through the same trustee shall be combined and aggregated by trustee, but not if established through different trustees.*

iii) ***Testamentary Trusts:*** *accounts held in the name of a decedent, his or her estate or the executor or administrator of the estate of the decedent. Accounts of testamentary trusts held by the same executor or administrator shall not be combined or aggregated unless held in respect of the same decedent.*

iv) ***Inter-vivos Trusts and Trusts Imposed by Law:*** *accounts of inter-vivos trusts which are created by a written instrument and trusts imposed by law. Such Separate accounts of customers shall be distinct from the trustee, the settlor or any beneficiary.*

v) ***Guardians, Custodians, Conservators, Committees, etc.:*** *accounts maintained by a person as a guardian, custodian, conservator, committee or similar capacity in respect of which accounts such person has no beneficial interest. Such accounts held by the same person in any such capacity shall not be combined or aggregated unless held in respect of the same beneficial owner.*

vi) ***Holding Corporation:*** *accounts of corporations controlled by a customer provided that the beneficial ownership of a majority of the equity capital of the corporation is held by persons other than the customer.*

vii) ***Partnerships:*** *accounts of partnerships controlled by a customer provided that the beneficial ownership of a majority of the equity interests in the partnership is held by persons other than the customer.*

viii) ***Unincorporated Associations or Organizations:*** *accounts of unincorporated associations or organizations controlled by a customer provided that the beneficial ownership in a majority of the assets of the association or organization is held by persons other than the customer.*

Timing of Payments

4. The time of payment of the maximum amount of coverage available for Claims (as defined below) may be affected by the amount of assets immediately available in the relevant Fund at the relevant time. While New IPF has the legal ability to assess New SRO Members for additional contributions, New IPF may not have on hand in the relevant Fund at any time sufficient assets to make immediate payment of the maximum amount of coverage available for Claims, such that payment may be delayed until such time as the assets of the relevant Fund are sufficient to fund the payments of coverage to which Customers are entitled in accordance with this Policy.

G. CLAIMS

Claims and Determination of Customer Losses

1. The claim of a Loss of a Customer in respect of which New IPF may authorize payment (a "**Claim**") shall be determined as at the applicable date of insolvency (as fixed by New IPF in its discretion) after taking into account the delivery of any Property to which the Customer is entitled and the distribution of any assets of the insolvent New SRO Member. Accordingly, the maximum payment which New IPF may make to a Customer shall be calculated as the balance of the Customer's financial Loss as a result of the insolvency of the New SRO Member net of such deliveries. The amount of a Customer's Claim may be reduced, at New IPF's discretion, to the extent that the Customer is entitled to deposit insurance or other compensation from any source in respect of any Property to which the Loss relates. To be eligible for coverage, the Claim must be filed with New IPF or the trustee in bankruptcy, the receiver or similar official of the insolvent New SRO Member within 180 days of the date of insolvency.

Date of Loss

2. The date at which the financial Loss of a Customer is determined shall be fixed by New IPF as the date of insolvency of the New SRO Member, which may be the date of the New SRO Member's bankruptcy, or the date on which, in the opinion of New IPF, the New SRO Member became insolvent. The amount of Property delivered to a Customer in satisfaction of a Claim shall be the amount of Property to which the Customer was entitled as at such date for determining financial loss without regard to subsequent market fluctuations. In *lieu* of satisfying a Claim by the delivery of Property, cash in an amount equal to the value of the Property as at the date for determining financial Loss may be paid to the Customer even though the amount of such cash is not equal to the value of such Property as at the date of payment. Open positions in a Customer's Account may, with or without notice, be closed out or liquidated pursuant to the terms of the account with the New SRO Member or correspondent broker, clearing house or exchange requirements or applicable insolvency legislation or orders.

Insolvency Legislation

3. The determination of the amount of financial Loss suffered by a Customer of an insolvent New SRO Member for the purposes of payment by New IPF and the maximum limits of such payments shall be in accordance with this Policy. In addition, New IPF may exercise its discretion, in respect of determining Customers eligible for protection and the amount of financial Loss suffered, in a manner that is consistent with the right and extent to which a person may be entitled to claim against the customer pool fund of a New SRO Member under the *Bankruptcy and Insolvency Act* (Canada), subject to other restrictions in this Policy and the sole discretion of New IPF to determine protection by New IPF. New IPF may rely on the trustee in bankruptcy, the receiver or similar official under applicable law in determining the amount and validity of claims of a Customer and for the purpose of calculating financial Loss.

Determination by New IPF Conclusive

4. In the case of any question or dispute as to the interpretation or application of this Policy, including, without limitation, eligibility of the Customer, the amount of the financial Loss incurred by a Customer for the purposes of payment by New IPF of a Claim, the timing of payment and the maximum amounts to be paid to a Customer, the interpretation of New IPF of this Policy shall be final and conclusive. An appeal from a decision of New IPF may be available in accordance with the Claims Procedures.

DATED ●

SCHEDULE 3

DRAFT CLAIMS PROCEDURES

Claims Procedures
Dated ●

[New IPF]

1. *Introduction*

1.1. The Claims Procedures should be read in conjunction with New IPF's "Coverage Policy". The coverage by New IPF of losses suffered by customers of insolvent member of New SRO accepted for membership in New IPF ("**New SRO Members**") is at the discretion of New IPF. The Coverage Policy states that New IPF reserves the right to authorize or withhold payments in a manner other than as prescribed in the Coverage Policy. In the case of any question or dispute as to the interpretation or application of the policy (including the eligibility of a customer, the amount of loss incurred by a customer for purposes of payment of a claim and the maximum amounts to be paid to a customer), New IPF's interpretation of the Coverage Policy shall be final and conclusive.

1.2. The orders issued by members of the Canadian Securities Administrators approving New IPF as a compensation fund each require New IPF to develop fair and reasonable procedures for assessing claims and to pay eligible claims pursuant to these procedures. It has also undertaken to establish a fair and reasonable internal claim review process whereby customer claims that are not accepted for coverage by New IPF shall be reconsidered by the Appeal Committee (as described in section 3.2.1.5.2 of these Claims Procedures), if requested by the customer. This document describes the general process for the administration of claims.

2. *New IPF Establishes Date of Insolvency*

2.1. The date at which the financial loss of a customer is determined by New IPF is the date on which New IPF determines, in its discretion, the New SRO Member became insolvent.

2.2. For purposes of New IPF coverage, a New SRO Member will generally be considered to be insolvent on or about the date a trustee is appointed, or if a trustee[1] is not appointed, the date customers cease to have unrestricted access to their accounts, for example, because the New SRO Member has been suspended by New SRO.

3. *Claims Administration*

3.1. Where Trustee Appointed

3.1.1. Where New IPF has information that there are eligible customers of an insolvent New SRO Member that may require New IPF coverage, New IPF may ask the Court to appoint a trustee, and will participate in the trustee's claims process so that all customers are advised how to submit claims to the estate of the insolvent New SRO Member.

3.1.2. Claims to the trustee are considered claims to New IPF to the extent consistent with New IPF's Coverage Policy.

3.1.3. New IPF will work with the trustee to ensure that proved claims of eligible New SRO customers that have demonstrated that they will suffer undue hardship if their claim is not dealt with immediately are dealt with on a priority basis.

3.1.4. When the trustee determines the estate does not have sufficient resources to satisfy customer claims, New IPF may settle the losses of eligible New SRO customers by providing the trustee with additional resources, up to the limit of New IPF's coverage, and subject to availability of sufficient New IPF resources. The time of payment may be affected by a number of factors, including the amount of assets immediately available in the Fund (as defined in the Coverage Policy) maintained and designated by New IPF for the benefit of customers of the insolvent New SRO Member (the "Designated Fund"), such that payment may be delayed until such time as the assets of such Fund are sufficient to make the necessary payment. Certain operational considerations may also delay the time of payment in the case of "customer name" property in the custody or control of the insolvent New SRO Member.[2]

[1] For the purposes of these Claims Procedures and New IPF coverage for customers of an insolvent New SRO Member, a trustee in bankruptcy, receiver, liquidator or similar insolvency official is generally referred to as a trustee, unless the context provides otherwise.

[2] Property that is not held by the New SRO Member, or not recorded in a customer's account as being held by a New SRO Member, such as securities that are registered directly in the name of the customer with the issuer or deposits with financial institutions (commonly referred to as "client name" property) is not

3.1.5. Payments made to customers may be made by New IPF or by the trustee depending on the individual circumstances of the insolvency.

3.1.6. Where any amount of a customer's claim has been disallowed by the trustee, an eligible New SRO customer can make a request within 60 days of the date of the disallowance to the Appeal Committee (see Appeal Procedures) to review the disallowance. Customers should also be aware of the availability of any court review under applicable legislation or court procedures, which must be filed within prescribed time limits including, in some cases, within 30 days of the notice of disallowance.

3.2. Trustee Not Appointed

3.2.1. Where a trustee has not been appointed, claims can be made directly to New IPF.

3.2.1.1. Identification of Claims Against the Estate

- New IPF will take appropriate steps so that all customers that have a cash balance and/or security position on or around the date of insolvency are advised on how to submit a claim to New IPF. This may be by a notice on the final customer account statement, a letter from New IPF, notices in the media, or any other means deemed appropriate by New IPF given the circumstances of the insolvency. New IPF may also rely on the New SRO Member's primary regulator to notify customers on New IPF's behalf.

- Customers requesting compensation from New IPF must submit a proof of claim to New IPF along with all documents and information to support the claim within 180 days of the date of insolvency.

3.2.1.2. Claim Information

- The information required to make a claim, including a proof of claim form, will be available from the New IPF website or upon request. Customers should refer to the Coverage Policy to determine if their claim is eligible for payment by New IPF before submitting a claim.

- New IPF will endeavour to post other relevant information to its website on the New SRO Member's insolvency and the claims process, as it becomes available.

- Documents and information to support a customer's claim should include, but not be limited to, account statements, correspondence and other documentation provided by the New SRO Member to the customer.

3.2.1.3. Priority of Claim Handling

- New IPF will give priority to the proved claims of customers that have demonstrated that they will suffer undue hardship if their claim is not dealt with immediately.

- All other claims will be dealt with in the order in which the information needed to assess the claim is made available.

3.2.1.4. Claims Handling

- New IPF will acknowledge all claims in writing, as received.

- The burden is on a customer of an insolvent New SRO Member to establish eligibility and the amount of a claim, but New IPF will use its reasonable efforts to collect the available information required to assess the eligibility of the claim for New IPF coverage.

- New IPF may require the customer to provide additional information that was not requested in the proof of claim form, or was requested but not supplied. The customer will usually be given 30 days to comply with any such requests. If the customer does not comply within the required time, New IPF may assess the claim based on the information in its possession.

- Prior to deciding on a claim, New IPF may require the customer to confirm the accuracy and completeness of the information it will use to assess the eligibility of the claim. In this situation, New IPF will prepare a summary of the claim and provide it to the customer for confirmation that the information is accurate and complete, and if not, to amend it accordingly.

eligible for New IPF coverage unless it is in the custody or control of the New SRO Member. Where client name property is in the custody or control of the New SRO Member, payment to customers may, by reason of administrative processes, take longer than payments made in respect of property held, or recorded as being held, by a New SRO Member.

3.2.1.5. Claims Decisions

3.2.1.5.1 Claims Eligible for Payment

- New IPF will advise the customer in writing of its decision on the claim eligibility for payment including the reasons.
- Where a claim is determined to be eligible for payment, New IPF requires a signed agreement in prescribed form by which the claimant subrogates the claim to New IPF before payment is made by New IPF to the claimant.
- A customer can request changes to the form of subrogation agreement, but any such requests must be approved by New IPF and the customer will be obligated to reimburse New IPF for any additional expenses incurred in relation to the requested change.
- The time of payment of the claim may be affected by a number of factors, including the amount of assets immediately available in the designated Fund maintained by New IPF for the benefit of customers of the insolvent New SRO Member, such that payment may be delayed until such time as the assets of such Fund are sufficient to make the payment of the claim. Certain operational considerations may also delay the time of payment in the case of "client name" property in the custody or control of the insolvent New SRO Member. However, New IPF will endeavour to pay claims that are determined to be eligible for coverage within 30 days after the subrogation is received from the customer.

3.2.1.5.2 Claims Not Eligible for Payment

- New IPF will advise the customer in writing of its decision on the claim eligibility for payment including the reasons.
- If New IPF determines that the claim is not eligible for coverage, it will advise the customer that New IPF's decision is eligible for reconsideration by the Appeal Committee. The Appeal Committee will be established by the Board of Directors, and will be comprised of one or more adjudicators that may or may not be New IPF Directors.
- Appeal requests must be made in writing within 60 days of the date the decision letter is sent and must specify the format of appeal hearing requested, namely, an appeal conducted by written submissions, an appeal conducted by teleconference hearing or an appeal conducted by an in-person hearing.

3.3. Discretion of New IPF. Notwithstanding the provisions of these Claims Procedures and their application, whether or not a trustee has been appointed, New IPF reserves the right in its sole discretion to administer claims in any other manner consistent with its Coverage Policy from time to time.

4. *Appeal Procedures*

4.1. Appeal Handling

4.1.1. New IPF will acknowledge all appeals, and the format of appeal elected, in writing as received.

4.1.2 New IPF will endeavour to conduct all appeals within six months of receiving the customer's appeal request and submissions, or as soon as reasonably possible thereafter given the number of appeal requests received at any particular time. The customer will be notified, in writing, of the date and, where relevant, the time and place the appeal is to be conducted. The Appeal Committee may impose specific time limits for a hearing and submissions, if any, as appropriate in the circumstances. If a customer has not specified an appeal format within 30 days of the date of their appeal request, the customer will be deemed to have elected an appeal by written submissions.

4.1.3 Regardless of the appeal format elected by the customer, the Appeal Committee may, in its discretion:

- request the customer and New IPF staff to appear before the Appeal Committee either in person or by teleconference; or
- direct that any part of an appeal will be in writing.

4.1.4 The customer and New IPF staff may have legal counsel or other advisers present at any in-person or teleconference hearing, but the presence of legal counsel or other advisors is optional.

4.1.5 Written submissions on appeal will include all information used by New IPF to make its eligibility determination, any other information the customer requests be considered by the Appeal Committee and a summary of any other evidence

including oral evidence to be provided by either New IPF staff or the customer. New IPF staff will provide the customer with the information it has in its possession regarding the claim.

4.1.6 The customer, or its legal counsel or other advisors, may take notes or transcripts of the meeting at their own expense.

4.1.7 Any costs incurred by the customer relating to an appeal will be for the account of the customer, not New IPF.

4.2 Appeal Deliberations

4.2.1 The Appeal Committee will conduct its deliberations and make its determination in the absence of New IPF staff, the customer, and the customer's legal counsel or other advisors.

4.2.2 If the Appeal Committee is comprised of two or more members, the decision of the Appeal Committee will be decided by simple majority but, in the case of an evenly split decision amongst members, the decision of the Chair of the Appeal Committee, as appointed by the Board of Directors, shall prevail.

4.2.3 Once a decision has been made, the customer and New IPF staff will be advised in writing of the Appeal Committee's decision and provided with its written reasons.

4.2.4 If the claim is eligible for coverage, prior to payment, the customer must provide New IPF with a signed agreement in prescribed form by which the claimant subrogates the claim to New IPF before payment is made by New IPF to the claimant.

4.2.5 A customer can request changes to the form of subrogation agreement, but any such requests must be approved by New IPF and the customer will be obligated to reimburse New IPF for any additional expenses incurred in relation to the requested change.

4.3 Payment Timing

4.3.1 The time of payment may be affected by a number of factors including the amount of assets immediately available in the Designated Fund maintained by New IPF for the benefit of customers of the insolvent New SRO Member, such that payment may be delayed until such time as the assets of such Fund are sufficient to make the payment of the claim. Certain operational considerations may also delay the time of payment in the case of "customer name" property in the custody or control of the insolvent New SRO Member. However, New IPF will endeavour to pay claims that are determined to be eligible for coverage after an appeal within 30 days after the required subrogation is received from the customer.

SCHEDULE 4

DRAFT APPEAL COMMITTEE GUIDELINES

Guidelines for [New IPF] ("New IPF") Appeal Committees Hearings
Dated ●, 2023

[NEW IPF]

First Canadian Place, 100 King Street West
Suite 2610, P.O. Box 481, Toronto, Ontario, Canada M5X 1E5
T 416 866 8366 Toll-Free 1 866 243 6981
F 416 360 8441
[insert New IPF website]

[Insert New IPF logo]

A. GENERAL

1. This document sets out non-binding guidelines for Appeal Committees hearing in-person appeals, appeals by teleconference and appeals in writing (the "**Guidelines**").

2. These Guidelines are applicable to in-person appeal hearings, appeal hearings by teleconference and appeal hearings in writing, unless a specific type of hearing is referred to in the particular guideline.

3. Where there is any inconsistency between the Guidelines and the relevant Claims Procedures (the "**Claims Procedures**"), the Claims Procedures prevail.

4. Nothing in these Guidelines restricts an Appeal Committee from:

   a) conducting an appeal in a manner other than the manner described in the Guidelines, if such a change is necessary to ensure a fair procedure for the appeal; and

   b) deciding an appeal in the manner that they believe is just and appropriate in the circumstances and in accordance with the New IPF Coverage Policy.

B. CUSTOMER'S ELECTION OF HEARING TYPE

5. The customer may request to have their appeal heard in-person, by teleconference (with or without video) or in writing.

6. An Appeal Committee may decline to hold a hearing by teleconference or in writing if satisfied that an in-person hearing would be preferable to promote a fair and efficient adjudication of the claim.

C. COMPOSITION OF APPEAL COMMITTEES

7. The New IPF Board of Directors has identified qualified individuals to adjudicate appeals as members of Appeal Committees. These qualified individuals include members of the Board of Directors of New IPF as well as individuals external to New IPF.

8. Each member of an Appeal Committee (a "**Committee Member**") will be:

   a) either:

      i) a Director of New IPF who was not involved in the initial claim decision; or

      ii) an adjudicator appointed by the New IPF Board of Directors for the purpose of adjudicating appeal hearings; and

   b) selected at the time of the relevant insolvency in accordance with criteria established by the New IPF Board of Directors, through the New IPF Coverage Committee, a subcommittee of the New IPF Board of Directors.

9. An Appeal Committee may be composed of:

   a) one Committee Member; or

   b) two or more Committee Members.

10. When an Appeal Committee is comprised of two or more Committee Members, the New IPF Board of Directors will appoint a Chair of the Appeal Committee from among the Committee Members.

D. THE PARTICIPANTS TO AN APPEAL

11. The participants to an appeal hearing are:

    a) the customer who has submitted a request for appeal in accordance with the Claims Procedures; and

    b) New IPF staff.

12. The participants to an appeal hearing may have legal counsel or other advisers, but their participation is optional.

E. ROLE OF INDEPENDENT LEGAL COUNSEL

13. With the approval of the New IPF Board of Directors, an Appeal Committee may engage independent legal counsel (to be compensated by New IPF) for the purpose of providing legal advice to each Appeal Committee.

14. The role of independent legal counsel is to advise an Appeal Committee in relation to both the conduct of the appeal hearing and decision-making in a well-reasoned manner that is fair, efficient and consistent with the New IPF Coverage Policy and accords with the law.

15. Independent legal counsel will act independently of the customer and New IPF staff (the "**participants**") and will not provide legal advice for or otherwise represent the participants.

16. An Appeal Committee may seek legal advice from independent legal counsel with respect to general issues arising from an appeal, including:

    a) procedural issues related to the conduct of an appeal;

    b) consistency with the New IPF Coverage Policy; and

    c) applicable legal principles.

17. If an Appeal Committee has obtained legal advice from independent legal counsel that relates to any particular appeal at any time after receiving materials with respect to the appeal, the Appeal Committee will:

    a) disclose to the participants the fact that legal advice has been obtained;

    b) provide to the participants a summary of the content of that legal advice; and

    c) offer an opportunity to the participants to make submissions in relation to that legal advice.

18. When independent legal counsel offers advice to an Appeal Committee in the drafting of written reasons for the disposition of an appeal, he or she will do so in the manner set out in paragraphs 47 and 48 below.

F. PREPARATIONS FOR APPEAL HEARINGS

19. An administrative coordinator, under the supervision of the Chair of the Coverage Committee of the New IPF Board of Directors, will schedule appeals in advance (having regard to the schedules and availability of participants), but in no event will the scheduling of an appeal be delayed unreasonably by a participant by reason of participant availability or scheduling. Where the scheduling of an appeal is not possible in a timely manner having regard to the schedules and availability of participants, the administrative coordinator may, in their discretion, elect to modify the hearing type or select the hearing date and time, provided that the administrative coordinator determines that such modification is reasonable for the parties involved. The administrative coordinator shall advise Committee Members and the participants of the date, and where relevant, the time and place that the appeal is to be conducted.

20. The customer will provide to New IPF any contact information or other information necessary for the hearing by teleconference.

21. The customer and any representative participating in the appeal will make themselves available at the scheduled time of the appeal.

22. For an appeal in writing, a written submissions schedule, which includes the date upon which each participant's submissions (including any relevant evidence) are due and the address for delivery of the submissions (the "**Written Submissions Schedule**") will be provided once the date of the appeal has been set.

23. The Written Submissions Schedule will generally indicate that submissions be provided in the following order:

    a) Claimant's (Appellant) submissions;

    b) New IPF's (Respondent) submissions; and

    c) Claimant's (Appellant) reply, if any.

24. An Appeal Committee and the participants to the appeal hearing will be provided in advance of the appeal hearing with:

    a) the New IPF Coverage Policy;

    b) the New IPF Claims Procedures;

    c) Guidelines for the New IPF Appeal Committees; and

    d) relevant background information.

25. An Appeal Committee and the participants to the appeal hearing will also be provided in advance of the appeal hearing with:

    a) any evidence and submissions provided by the customer in support of the appeal; and

    b) any evidence and submissions provided by New IPF staff in support of staff's recommendation to recommend or deny coverage, in whole or in part, which will include:

        i) the summary of facts prepared by staff;

        ii) the decision letter issued by staff; and

        iii) a review and analysis of the basis of each claim in relation to the New IPF Coverage Policy.

G. PROCEDURES AND PRACTICES DURING APPEAL HEARINGS

26. Each Appeal Committee has the power to determine its own procedures and practices and to select from among the Committee Members those Committee Member(s) who will hear each appeal, ensuring fairness and reasonableness. Nevertheless, in most instances, it may be advisable for an Appeal Committee to commence an in-person appeal hearing or an appeal hearing by teleconference by:

    a) welcoming and introducing the Committee Member(s) (including any Committee Members referred to in paragraph 27 below), the customer, New IPF staff and any legal counsel that are present; and

    b) identifying the purpose of the appeal hearing (i.e. the review of an initial staff recommendation to recommend or deny New IPF coverage).

27. A Committee Member who is not hearing the appeal, may attend an in-person appeal hearing or an appeal hearing by teleconference as an observer, but may not participate in any way in the adjudication of the appeal.

28. In a hearing by teleconference, all the participants and Committee Members should be able to hear one another and any witnesses throughout the hearing.

H. EVIDENCE

29. Following any introduction provided as referenced in paragraph 26 above, an Appeal Committee will:

    a) identify any evidence and submissions provided by the customer in support of the appeal;

    b) identify any evidence and submissions provided by NewIPF staff in support of staff's recommendation to recommend or deny coverage, in whole or in part; and

    c) confirm that the customer was provided with a copy of New IPF staff's evidence and submissions, including the summary of facts and decision letter.

30. An Appeal Committee may allow the participants to introduce any evidence the Committee considers appropriate in the circumstances, including:

    a) any documents that were not previously provided to the Appeal Committee; and

b) any other evidence offered with respect to the appeal.

31. In the case of a hearing in writing, any evidence referred to in paragraph 30 is to be received on or before the date of the scheduled appeal hearing.

32. An Appeal Committee may, at its own discretion, restrict oral evidence from being given at an in-person hearing or a hearing by teleconference in the interests of fairness.

33. Each participant is entitled to receive every document that an Appeal Committee receives in the appeal proceeding, and will be given reasonable time to review each such document.

34. An Appeal Committee may ask questions with respect to any evidence offered by any participant.

I. SUBMISSIONS

35. At an in-person hearing or a hearing by teleconference, an Appeal Committee will invite the participants to make submissions relating to the appeal.

36. At an in-person hearing or a hearing by teleconference, an Appeal Committee may ask at any time questions with respect to the submissions or positions taken by any participant.

37. After the close of the Written Submissions Schedule referred to in paragraph 22, an Appeal Committee may write to the participants with any questions in relation to the submissions or positions taken by any participant.

38. If an Appeal Committee requests any additional evidence or submissions in relation to an issue, all participants will have an opportunity to submit further written submissions on that issue.

J. CONCLUSION OF IN-PERSON APPEAL HEARING OR APPEAL HEARING BY TELECONFERENCE

39. An Appeal Committee will customarily thank the customer and New IPF staff for their participation.

40. An Appeal Committee will advise that:

a) it has made its decision, which will be communicated verbally to the participants, with written reasons to follow; or

b) it will reserve its decision and inform the participants of the decision notification process, including the issuance of written reasons.

K. DELIBERATIONS

41. An Appeal Committee will, without the presence of any participants to the appeal hearing, convene to determine the outcome of the appeal.

42. If an Appeal Committee is comprised of two or more Committee Members, the decision of the Appeal Committee will be decided by simple majority but, in the case of an evenly split decision among Committee Members, the decision of the Chair of the Appeal Committee, as appointed by the New IPF Board of Directors, will prevail.

43. An Appeal Committee will select a Committee Member to prepare a draft of written reasons for the decision.

L. REMOVAL OF A COMMITTEE MEMBER

44. If a Committee Member is unable to continue to serve on an Appeal Committee for any reason before the completion of the appeal hearing, which includes the rendering of a decision, the remaining Committee Member(s) will continue to hear the matter and render a decision.

45. If there are no remaining Committee Members available to continue with an appeal hearing, an appeal hearing de novo will be scheduled to be heard by another Appeal Committee.

46. If the Chair of an Appeal Committee is unable to continue to serve as the Chair of the Appeal Committee, a new Chair of the Appeal Committee will be appointed from among the remaining Committee Members, in accordance with paragraph 10 above.

M. ADVICE FROM INDEPENDENT LEGAL COUNSEL

47. When an Appeal Committee seeks advice from independent legal counsel in connection with the preparation of written reasons, the Appeal Committee may ask independent legal counsel to review a draft of any written reasons for the purpose of advising the Appeal Committee in relation to:

    a) issuing written reasons that are:

        i) consistent with the New IPF Coverage Policy;

        ii) in accordance with the law; and

    b) ensuring that the written reasons accurately reflect the rationale for the Appeal Committee's decision.

48. With respect to advice offered by independent legal counsel to an Appeal Committee relating to the preparation of written reasons, the Appeal Committee and independent legal counsel will ensure: (a) that the decision of the Appeal Committee and its reasons are determined in accordance with the New IPF Coverage Policy and New IPF Claims Procedures; and (b) that independent legal counsel does not detrimentally impact the fairness or integrity of the appeal process.

49. If, during the course of seeking legal advice in connection with the preparation of written reasons, new issues arise that were not raised during the appeal hearing, an Appeal Committee will allow the participants to make submissions on those issues following the relevant procedure set out in Section I.

N. CUSTOMER NOTIFICATION OF THE DECISION

50. An Appeal Committee will endeavor to provide its decision and issue its written reasons within 90 days of the date of the appeal hearing.

51. An administrative coordinator, under the supervision of the Chair of the Coverage Committee of the New IPF Board of Directors, will advise the customer and New IPF staff in writing of the decision of an Appeal Committee.

52. An administrative coordinator, under the supervision of the Chair of the Coverage Committee of the New IPF Board of Directors, will provide the customer and New IPF staff with written reasons for the decision of an Appeal Committee.

APPENDIX B

DRAFT APPROVAL ORDER

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

AND

IN THE MATTER OF
REGULATION 1015 MADE UNDER THE ACT,
R.R.O. 1990, AS AMENDED
(the "Regulation")

AND

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20, AS AMENDED
(the "CFA")

AND

IN THE MATTER OF
REGULATION 90 MADE UNDER THE CFA,
R.R.O. 1990, AS AMENDED
(the "CFA Regulation")

AND

IN THE MATTER OF
[NEW IPF]

APPROVAL ORDER
(Section 110 of the Regulation and Section 23 of the CFA Regulation)

WHEREAS Pursuant to Section 110(1) of the Regulation, all investment dealers and mutual fund dealers, shall participate in a compensation fund or contingency trust fund approved by the Commission and established in accordance with the Regulation.

WHEREAS Pursuant to Section 23 of the CFA Regulation, every registered futures commission merchant shall participate in a compensation fund as detailed in the CFA Regulation.

WHEREAS the Ontario Securities Commission (the **Commission**) issued an order dated October 17, 2002, as amended on September 26, 2008 and August 27, 2019, approving the Canadian Investor Protection Fund (**CIPF**) as a compensation fund for customers of investment fund dealers that were members of the Investment Industry Regulatory Organization of Canada (**IIROC**).

AND WHEREAS the Commission issued an order dated May 3, 2005, as amended on August 10, 2006, March 31, 2015 and August 27, 2019, approving the MFDA Investor Protection Corporation (**MFDA IPC**) as a compensation fund for customers of mutual fund dealers that were members of the Mutual Fund Dealers Association of Canada (**MFDA**).

AND WHEREAS following public consultation, the Canadian Securities Administrators (**CSA**) published CSA Position Paper 25-404 – *New Self-Regulatory Organization Framework*, recommending amalgamation of IIROC and the MFDA into a single self-regulatory organization, [New SRO].

AND WHEREAS the CSA also recommended amalgamating CIPF and the MFDA IPC into a single compensation fund, [New IPF], which will be independent from [New SRO].

AND WHEREAS [New IPF] will operate as a successor to CIPF and the MFDA IPC following their amalgamation under the *Canada Not-for profit Corporations Act*.

AND WHEREAS [New IPF] will provide protection within prescribed limits to eligible customers of SRO Members, as defined in Schedule A of this order (**Approval Order**), where such customers suffered financial loss to their property as a result of insolvency

of an SRO Member; and, in connection with such coverage, [New IPF] will engage in risk management activities to minimize the likelihood of such losses.

AND WHEREAS upon amalgamation, [New IPF] will maintain two segregated funds, where each of such funds will be available exclusively to eligible customers of either investment dealers or mutual fund dealers until such time as further analysis is completed and it is determined that the segregation of funds is no longer necessary.

AND WHEREAS [New IPF] will enter into an agreement with [New SRO], pursuant to which [New SRO] will levy assessments on its members and pay to [New IPF] the amount of these assessments.

AND WHEREAS CIPF and the MFDA IPC made representations on behalf of [New IPF] regarding its approval as a compensation fund to the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of the Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Ontario Securities Commission; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; and Office of the Yukon Superintendent of Securities (together with the Commission, the **Regulators**).

AND WHEREAS the Regulators have entered into a Memorandum of Understanding regarding oversight of [New IPF] (**MOU**) effective [●], as amended from time to time.

AND WHEREAS CIPF and the MFDA IPC are consolidating through amalgamation to continue as [New IPF], references to CIPF and the MFDA IPC in the existing regulations, rules, orders, policies, notices or other instruments (**Provisions**) in the jurisdictions of the Regulators will be treated and interpreted as references to [New IPF] until the appropriate consequential amendments are implemented, if considered necessary. Whenever a Provision assigns requirements or privileges exclusively to either investment dealers or mutual fund dealers, who, prior to the amalgamation, were members of IIROC and the MFDA respectively, it is to be understood that such requirements and privileges shall apply exclusively to either investment dealers or mutual fund dealers of the New SRO, as applicable.

AND WHEREAS the Commission may, if it is satisfied that to do so would not be prejudicial to the public interest, make an order revoking or varying this Approval Order or any orders for CIPF and the MFDA IPC.

AND WHEREAS based on the representations made by CIPF and the MFDA IPC, the Commission is satisfied that approving [New IPF] as a compensation fund is in the public interest.

IT IS ORDERED that [New IPF] is approved as a compensation fund pursuant to Section 110 of the Regulation and Section 23 of the CFA Regulation, subject to the terms and conditions set out in Schedule A to this Approval Order and the applicable provisions of the MOU.

Dated this [●], effective [●].

“ ” “ ”

Commissioner
Ontario Securities Commission

Commissioner
Ontario Securities Commission

Schedule A - Terms and Conditions

1. Definitions

Unless otherwise defined or interpreted in this Approval Order, every term used in this Approval Order that is defined in subsection 1.1(3) of National Instrument 14-101 – *Definitions* has the meaning ascribed to it in that subsection.

"Board" means the board of directors of [New IPF].

"**Coverage Assets**" has the meaning ascribed to that term in the Industry Agreement.

"Coverage Policies" include, but are not limited to, the coverage policy, claims procedures, appeal committee guidelines and disclosure policy of [New IPF].

"Industry Agreement" means the agreement between [New IPF] and [New SRO] regarding the basis on which [New IPF] provides protection to customers of SRO Members.

"Industry Director" has the meaning ascribed to that term in [New IPF] By-Law Number 1.

"MOU" means the Memorandum of Understanding among the Regulators regarding oversight of [New IPF].

"[New IPF] Mandate" is to provide protection to customers of SRO Members who have suffered or may suffer financial losses as a result of the insolvency of the SRO Member, all on such terms and conditions as may be determined by [New IPF] in its sole discretion and, in connection with such coverage, to engage in risk management activities to minimize the likelihood of such losses.

"Public Director" has the meaning ascribed to that term in [New IPF] By-Law Number 1.

"Regulators" means the Alberta Securities Commission; Autorité des marchés financiers; British Columbia Securities Commission; Manitoba Securities Commission; Financial and Consumer Services Commission of New Brunswick; Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; Office of the Superintendent of Securities, Northwest Territories; Nova Scotia Securities Commission; Office of the Superintendent of Securities, Nunavut; Ontario Securities Commission; Prince Edward Island Office of the Superintendent of Securities; Financial and Consumer Affairs Authority of Saskatchewan; and Office of the Yukon Superintendent of Securities.

"Self-regulatory organization (SRO)" means [New SRO].

"SRO Member" means a registered investment dealer or registered mutual fund dealer, which is a member, approved participant or similar participating organization of the SRO, provided that the Board may exclude any person or class of persons from this definition of SRO Member.

2. Authority and Purpose

[New IPF] has, and must continue to have, the appropriate authority and capacity to carry out the [New IPF] Mandate.

3. Approval of Amendments

(a) Prior Commission approval is required for any amendment to the following:

(i) [New IPF]'s Coverage Policies; or

(ii) [New IPF]'s by-laws.

(b) Prior Commission approval is required for any material change to the Industry Agreement. A material change is one that directly affects the [New IPF] Mandate.

(c) When seeking Commission approval of any amendments or material change pursuant to (a) or (b) above, [New IPF] must comply with the processes outlined in Schedule B of the MOU, as amended from time to time.

4. Corporate Governance

(a) The Board must be selected in a fair and reasonable manner and must fairly represent the interests of all SRO Members and their customers and properly balance the interests of SRO Members and their customers.

(b) The Board must be composed of Industry Directors, Public Directors and the chief executive officer. The number of Public Directors must exceed the number of Industry Directors by at least one. The Board must include no more than 15 directors.

(c) The [New IPF]'s governance structure must provide for:

(i) fair, meaningful and diverse representation on the Board and any committees of the Board, having regard to the differing interests between SRO Members and their customers;

(ii) appropriate representation of Public Directors on the Board committees and on any executive committee or similar body;

(iii) appropriate qualification, remuneration and conflict of interest provisions, and limitation of liability and indemnification protections for directors, officers and employees of [New IPF] generally; and

(iv) a governance, nominating and human resources committee and an audit, finance and investment committee, each of which must be constituted by a majority of Public Directors, including the chair.

5. Conflicts of Interest

Subject to applicable legislation, [New IPF] must identify and avoid real, potential or perceived conflicts of interest between its own interests, or the interests of its directors, officers, or employees and the [New IPF] Mandate.

6. Funding and Maintenance of the [New IPF]

(a) [New IPF] must institute and publish one or more fair, transparent, and reasonable methodologies of establishing assessments for contribution for each category of SRO Members, which are investment dealers and mutual fund dealers (**Assessment Policies**).

(b) [New IPF] will conduct the analysis of risks associated with each category of SRO Members and, following which, determine whether a single assessment methodology is appropriate for all categories of SRO Members. Until such time as the analysis is completed,

(i) the funds available to satisfy potential claims for coverage by customers of each category of SRO Members must be segregated;

(ii) the assessments must be calculated and levied discretely on the basis of independent assessment methodologies for each category of SRO Members and contributed to the segregated funds (each, a **Fund**); and

(iii) [New IPF] must ensure a moratorium on any changes to the current assessment methodologies applied to fees or assessments that would result in a material increase to the assessments levied by [New IPF] on each category of SRO Members, unless authorized by the Commission.

(c) The assessments must:

(i) reflect an equitable allocation among SRO Members, which may be based on the level of risk to which each SRO Member exposes [New IPF]; and

(ii) balance the need for [New IPF] to have sufficient revenues to satisfy claims in the event of an insolvency of any member of the relevant category of SRO Members and to have sufficient financial resources to satisfy its operational costs against the goal that there be no unreasonable financial barriers to becoming a member of the SRO.

(d) [New IPF] must make all necessary arrangements for the notification to each category of SRO Members of [New IPF]'s assessments and the collection of such assessments, either directly or indirectly through the SRO.

(e) The Board must determine the appropriate level of assets for each of the Funds. The Board will conduct an annual review of the adequacy of the Coverage Assets, assessment amounts and assessment methodologies; and will ensure that the level of Coverage Assets of each Fund remains adequate to cover potential claims of customers of the relevant category of SRO Members.

(f) Moneys in each Fund must be invested in accordance with the relevant policies, guidelines or other instruments (**Investment Policies**) applicable to that Fund and approved by the Board, who will be responsible for regular monitoring of the investments. The Investment Policies must require safety of principal and a reasonable income while at the same time ensuring that sufficient liquidity is available to pay potential claims in accordance with

the Coverage Policies. All moneys and securities must be held by a qualified custodian, which are those entities considered suitable to hold securities on behalf of an SRO Member, for both inventory and client positions, without capital penalty, pursuant to the bylaws, rules or regulations of the SRO.

(g) [New IPF] must implement an appropriate accounting system, including a system of internal controls for maintaining [New IPF] Coverage Assets.

7. Customer Protection

(a) [New IPF] must establish and maintain Coverage Policies which:

(i) provide for fair and adequate coverage, on a discretionary basis, for all customers of SRO Members, for losses of property comprising securities, cash, and other property (to the extent not specifically excluded or held in accounts located in Québec) held by SRO Members resulting from the insolvency of an SRO Member, including criteria for who is an eligible customer;

(ii) include fair and reasonable procedures for assessing claims made to [New IPF]. [New IPF] will respond as quickly as practicable in assessing and paying claims made pursuant to those procedures; and

(iii) allow [New IPF] to adequately disclose to customers of SRO Members, either directly or indirectly through the SRO, the principles and policies on which coverage will be available, including, but not limited to, the process for making a claim and the maximum coverage available per customer account.

(b) In a case where a claim is not accepted for payment by [New IPF] staff or by an appointed committee, the claim must be reconsidered by an internal appeal committee if such a review is requested by a customer of an SRO Member or by [New IPF] staff. [New IPF] must establish within its Coverage Policies fair and reasonable internal claim review procedures for this purpose. An appeal committee will be comprised of one or more adjudicators who may or may not be directors. The Coverage Policies or other documentation must include criteria established by the Board for the selection of appeal committee members, including criteria that no director involved in the initial decision will be involved in reconsidering that decision.

(c) The Coverage Policies must not prevent a customer of an SRO Member from taking legal action against [New IPF] in a court of competent jurisdiction in Canada. [New IPF] must not contest the jurisdiction of such a court to consider a claim where the claimant has exhausted [New IPF]'s internal appeals or review process.

8. Financial and Operational Viability

[New IPF] must maintain adequate financial and operational resources, including adequate staff resources or external professional advisers, to permit [New IPF] to:

(a) exercise its rights and perform its duties under this Approval Order; and

(b) review, in accordance with the Industry Agreement, the business and operations of any SRO Member, or designated groups of SRO Members, where a situation has occurred that in the opinion of [New IPF] constitutes a reportable condition, as defined in the Industry Agreement.

9. Risk Management

(a) [New IPF] must ensure that it has policies and procedures, including a process to identify and request all necessary information from the SRO, in order for [NEW IPF] to:

(i) fulfill the [New IPF] Mandate and manage risks to the public and to [New IPF] assets;

(ii) assess whether the prudential standards and operations of [New IPF] are appropriate for the coverage provided and the risk incurred by [New IPF]; and

(iii) identify and deal with SRO Members that may be in financial difficulty.

(b) While [New IPF] may rely on the SRO to conduct reviews of SRO Members for [New IPF] purposes, [New IPF] must reserve the right to conduct reviews of SRO Members in particular situations where [New IPF] has concerns about the integrity of the Coverage Assets or possible claims.

10. Agreement between [NEW IPF] and the SRO

[New IPF] must comply with the Industry Agreement signed with the SRO.

11. Assistance to the SRO

[New IPF] must assist the SRO when an SRO Member is in or is approaching financial difficulty. Such assistance will be provided in any way [New IPF] determines to be appropriate.

12. Collection of Information

Subject to applicable legislation, [New IPF] must:

(a) collect, use and disclose personal information only to the extent reasonably necessary to carry out [New IPF] regulatory activities and [New IPF] Mandate; and

(b) protect personal information and confidential business information in its custody or under its control.

13. Information Sharing and Regulatory Cooperation

(a) [New IPF] must provide the Commission with reports, documents and information as the Commission or its staff may request.

(b) [New IPF] shall have mechanisms in place to enable it to share information and otherwise co-operate with the Commission.

14. Ongoing Reporting Requirements

[New IPF] must comply with the reporting requirements set out in Schedule B of this Approval Order, as amended from time to time by the Commission.

Schedule B - Reporting Requirements

1. Prior Notification

(a) [New IPF] will provide the Commission with at least 12 months' written notice prior to completing any transaction that would result in the [New IPF]:

(i) ceasing to perform its functions;

(ii) discontinuing, suspending or winding-up all or a significant portion of its operations; or

(iii) disposing of all or substantially all of its assets.

(b) In situations where, in the opinion of [New IPF], the notice period in subsection (a) is considered unreasonable, [New IPF] will inform the Commission with as much advance notice as possible in the circumstances. Such notice will include an explanation of why the notice period in subsection (a) is considered unreasonable.

(c) [New IPF] will provide the Commission with at least 60 days' prior written notice before implementing any change to the following:

(i) [New IPF]'s Investment Policies; or

(ii) [New IPF]'s Assessment Policies.

(d) [New IPF] will provide the Commission with at least 60 days' prior written notice before making a decision to exclude any person or class of persons from the definition of SRO Member in [New IPF] By-Law Number 1.

(e) [New IPF] will provide the Commission with at least 60 days' prior written notice before implementing any material change to [New IPF] Board's mandate and the Board committees' mandates.

2. Immediate Notification

(a) [New IPF] will immediately report to the Commission any reportable condition as defined in the Industry Agreement, with respect to an SRO Member of which [New IPF] has been notified.

(b) [New IPF] will immediately report to the Commission where the SRO has withdrawn or has been expelled from participation in [New IPF]. [New IPF] will include in its report the reasons for the SRO's withdrawal or expulsion.

(c) [New IPF] will immediately report to the Commission any actual or potential material adverse change in the level of [New IPF]'s assets, together with [New IPF]'s plan to deal with the situation.

3. Prompt Notification

(a) [New IPF] will provide the Commission with prompt notice of the following occurrences, and in each case describe the circumstances that gave rise to the occurrence, and [New IPF]'s proposed response to ensure resolution, and, if appropriate, provide timely updates:

(i) situations that would reasonably be expected to raise concerns about [New IPF]'s financial viability, including but not limited to, an inability to meet its expected expenses for the next quarter or the next year;

(ii) any determination by [New IPF] or notification from any Regulator that [New IPF] is not, or will not be, in compliance with one or more of the terms and conditions of its approval or acceptance in any jurisdiction; and

(iii) any breach of security safeguards involving information under [New IPF]'s control if it is reasonable in the circumstances to believe that the breach creates a real risk of material harm to investors, issuers, registrants, other market participants, [New IPF], the SRO, or the capital markets.

(b) [New IPF] will prepare and provide to the Commission a report detailing any action taken by [New IPF] with respect to an SRO Member. For SRO Member insolvencies, the report will describe the circumstances of the insolvency, including a summary of the actions taken by the SRO Member, the SRO and [New IPF] and any committee or person acting on behalf of such parties.

4. Semi-Annual Reporting

[New IPF] will file on a semi-annual basis with the Commission a written report pertaining to [New IPF]'s operations promptly after the report is reviewed or approved by the Board, Board committees, or senior management, as the case may be, containing at a minimum the following information and documents:

(a) A summary of ongoing initiatives, policy changes, and emerging or key issues that arose in the previous 6 months.

(b) Description of any changes in the composition of the Board, including the names and terms of any incoming directors, the names of any outgoing directors, and whether any incoming directors are Public Directors as defined in [New IPF]'s By-law Number 1.

(c) Any suggestions or comments that [New IPF] has made to the SRO regarding the SRO's making new rules or amending existing rules, and the SRO's response to those suggestions.

(d) Description of any directions [New IPF] has made to the SRO to take certain actions in regard to SRO Members that are in financial difficulty pursuant to the Industry Agreement, details about the [New IPF]'s direction and comment on whether [New IPF] is satisfied with the SRO's response.

(e) Summary statistics pertaining to (i) the Coverage Assets, (ii) assessments and (iii) noted trends.

(f) The adequacy of (i) the level of Coverage Assets, (ii) assessment amounts, and (iii) assessment methodology.

(g) SRO Member insolvencies and any resulting customer claims, detailing the circumstances of the insolvency and including a summary of the actions taken by the SRO Member, the SRO and [New IPF].

(h) Risk management issues, including how [New IPF] evaluated risks, what risk management issues were identified and how [New IPF] dealt with these issues.

(i) The extent and results of any SRO Member reviews conducted pursuant to the Industry Agreement.

(j) [New IPF]'s staff complement, by function, and details of any material changes or reductions in staffing, by function, during the previous 6 months.

(k) Any intended material changes to arrangements with third party service providers relating to key services or systems.

5. Annual Reporting

[New IPF] will file on an annual basis with the Commission a written report pertaining to [New IPF]'s operations promptly after the report is reviewed or approved by the Board, Board committees, or senior management, as the case may be, containing at a minimum the following information and documents:

(a) The Board's annual review of the adequacy of (i) the level of Coverage Assets, (ii) assessment amounts, and (iii) assessment methodologies.

(b) The Board's assessment of the need for additional risk management tools.

(c) The Board's qualitative assessment or evaluation of [New IPF]'s performance and achievements relative to the [New IPF] Mandate and strategic plan.

(d) A certification by [New IPF]'s chief executive officer, or other officer, that [New IPF] is in compliance with the terms and conditions applicable to it in this Approval Order.

6. Financial Reporting

(a) [New IPF] will file with the Commission unaudited financial statements with notes within 60 days after the end of each financial semi-annual period.

(b) [New IPF] will file with the Commission audited annual financial statements accompanied by the report of an independent auditor within 90 days after the end of each fiscal year.

7. Other Reporting

(a) [New IPF] will provide the Commission on a timely basis with the following information and documents upon completion of review or approval by the Board, Board committees, or senior management, as the case may be:

(i) the financial budget for the current year, together with the underlying assumptions, that have been approved by the Board;

(ii) enterprise risk management reports, and any material changes to enterprise risk management methodology;

(iii) [New IPF]'s strategic plan;

(iv) [New IPF]'s annual report; and

(v) material changes to the Board and employee codes of conduct, which include policies for managing conflicts of interest.

(b) [New IPF] will provide the Commission with reasonable prior notice of any document that it intends to publish or issue to the public or to any category of SRO Members which, could have a significant impact on:

(i) [New IPF]'s ability to carry out the [New IPF] Mandate;

(ii) SRO Members; and

(iii) the capital markets generally, including, for greater clarity, particular stakeholders or sectors.

APPENDIX C

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING REGARDING
OVERSIGHT OF [NEW IPF]
AMONG:
ALBERTA SECURITIES COMMISSION
AUTORITÉ DES MARCHÉS FINANCIERS
BRITISH COLUMBIA SECURITIES COMMISSION
MANITOBA SECURITIES COMMISSION
FINANCIAL AND CONSUMER SERVICES COMMISSION OF NEW BRUNSWICK
OFFICE OF THE SUPERINTENDENT OF SECURITIES,
DIGITAL GOVERNMENT AND SERVICE NEWFOUNDLAND AND LABRADOR
OFFICE OF THE SUPERINTENDENT OF SECURITIES, NORTHWEST TERRITORIES
NOVA SCOTIA SECURITIES COMMISSION
OFFICE OF THE SUPERINTENDENT OF SECURITIES, NUNAVUT
ONTARIO SECURITIES COMMISSION
PRINCE EDWARD ISLAND OFFICE OF THE SUPERINTENDENT OF SECURITIES
FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN
OFFICE OF THE YUKON SUPERINTENDENT OF SECURITIES
(each a **Regulator**, collectively the **Regulators** or the **Parties**)

The Parties agree as follows:

1. Underlying Principles

a. Approval and Acceptance

Pursuant to applicable Securities Legislation, and subject to terms and conditions, the Regulators have either:

(i) approved [New IPF] as a compensation fund or contingency trust fund; or

(ii) deemed [New IPF] acceptable as a contingency fund.

b. Oversight Program

To ensure that [New IPF] is appropriately discharging its responsibilities as a compensation or contingency fund, the Regulators have developed an oversight program (**Oversight Program**) which includes:

(i) review of information filed by [New IPF], as set out in section 4;

(ii) oversight reviews of [New IPF], as set out in section 5; and

(iii) review and applicable approval of Amendments, as set out in section 6.

The purpose of the Oversight Program is to ensure that [New IPF] is acting in accordance with the [New IPF] Mandate, and complying with the terms and conditions of the Regulators' approval or acceptance.

c. Oversight Guiding Principles

The guiding principles for the Regulators' joint oversight of [New IPF] are:

(i) Harmonious direction – the Regulators will strive to speak as one when giving direction to [New IPF];

(ii) Transparency – each Regulator shares with other Regulators important communications with [New IPF] in a timely manner; and

(iii) Efficiency – each Regulator will strive to conduct oversight in an effective manner while attempting to minimize the resources required from other Regulators and [New IPF].

d. Previous Memoranda of Understanding

This MOU replaces the memoranda of understanding that took effect on January 1, 2021 between the applicable Regulators of the Canadian Investor Protection Fund (**CIPF**) and the MFDA Investor Protection Corporation (**MFDA IPC**) in respect of the oversight of CIPF and MFDA IPC.

2. Definitions

"Amendment" means

(i) any amendment to, or revocation or replacement of, [New IPF]'s Coverage Policies or by-laws; or

(ii) any material change to [New IPF]'s Industry Agreement with [New SRO]

for which the Regulators' prior approval is required pursuant to an Approval Order or Acceptance Decision.

"Approval Order" means the approval of [New IPF] by a Regulator pursuant to the Securities Legislation in a Canadian province or territory which stipulates that registered dealers must participate in a compensation fund or contingency trust fund approved by the Regulator and established by, among others, a self-regulatory organization.

"Board" has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"Coordinators" mean the two Regulators that are designated as such from time to time by consensus of all the Regulators.

"Coverage Policies" have the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"Acceptance Decision" means the decision regarding [New IPF] by a Regulator pursuant to the Securities Legislation in a Canadian province or territory which may stipulate that a dealer must participate in a contingency fund deemed acceptable by the Regulator.

"Industry Agreement" has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"[New IPF] Mandate" has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"Reviewing Regulator" means a Regulator that is participating in an oversight review of [New IPF].

"Securities Legislation" has the same meaning as in National Instrument 14-101 *Definitions* and includes, where applicable, commodity futures legislation.

"Self-regulatory organization (SRO)" has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

"SRO Member" has the meaning ascribed to that term in [New IPF] Approval Order or Acceptance Decision.

3. General Provisions

a. Oversight Committee

The Regulators will establish an oversight committee (**Oversight Committee**) which will act as a forum to discuss issues, concerns and proposals related to the oversight of [New IPF].

Each of the Regulators shall designate from time to time representatives on the Oversight Committee.

The Oversight Committee will provide to the Chairs of the Regulators an annual written report that will include a summary of all oversight activities conducted during the previous period (**Annual Report on Oversight Activities**). The Annual Report on Oversight Activities will also be published.

b. Coordinators

The two Regulators that are designated as Coordinators are tasked with the role of coordinating, communicating and scheduling activities of the Oversight Program between the Regulators, and between the Regulators and [New IPF]. The Coordinators must not make any unilateral decision, or give unilateral direction, with respect to [New IPF].

The Coordinators will serve for four years on a staggered rotation basis among the two designated Regulators. Initially, one of the two Coordinators will be replaced after two years, and thereafter each Coordinator will have a four-year term,

such that a new Coordinator will be designated to replace a current Coordinator every two years. Designation of a new Coordinator will be made one year in advance of the end of an exiting Coordinator's term.

c. Staff Contact

The Coordinators will provide [New IPF] with key staff contacts in each jurisdiction for the purposes of matters arising under this MOU or relating to oversight in general.

d. Status Meetings

The Coordinators will organize semi-annual conference calls and annual in-person meetings between the Oversight Committee and staff of [New IPF]. The purpose is to discuss matters relating to the Oversight Program of [New IPF] and other matters that are of interest to the Regulators and [New IPF]. The Coordinators will record minutes of these meetings and calls.

4. Review of Information Filed

Any comments of the staff of the Regulators on information filed by [New IPF] will be sent to the Coordinators, with a copy to staff of the other Regulators. The Coordinators will request that [New IPF] respond to comments raised by the Regulators and copy staff of the other Regulators on its response.

5. Oversight Reviews

The Regulators have developed procedures for performing periodic reviews of [New IPF]'s functions, as set out in Schedule A.

6. Review and Applicable Approval of Amendments

The Regulators have entered into a protocol, set out in Schedule B of this MOU, to establish uniform procedures relating to the review and applicable approval of or non-objection to proposed Amendments.

7. Confidentiality

All notices, reports, documents and any other information or data shared amongst any of the Regulators pursuant to this MOU are shared exclusively for the regulatory purposes of the Regulators, and with the expectation that they be shared and maintained in confidence, except as may otherwise be required by applicable law.

8. Authority

Nothing in this MOU is intended to limit the powers of any of the Regulators under applicable Securities Legislation to take any measures authorized or required under such legislation.

9. Schedules

The MOU represents the Regulators' commitment to a coordinated and cooperative approach to conducting the Oversight Program, and the schedules are integral to the execution of this commitment.

10. Amending, terminating and withdrawing from the MOU

This MOU may be amended from time to time as mutually agreed upon by the Regulators. Any amendments must be in writing and approved by the duly authorized representatives of each Regulator in accordance with the applicable legislation of each province or territory.

This MOU may be terminated if mutually agreed upon by the Regulators.

Each Regulator can, at any time, withdraw from this MOU on at least 90 days' written notice to the Coordinators and to each Regulator.

11. Effective Date

This MOU comes into effect on [●].

IN WITNESS WHEREOF the duly authorized signatories of the parties below have signed this MOU as of the Effective Date of the MOU stated above.

ALBERTA SECURITIES COMMISSION
Per:_____
Title:_____

AUTORITÉ DES MARCHÉS FINANCIERS
Per:_____
Title:_____

BRITISH COLUMBIA SECURITIES COMMISSION
Per:_____
Title:_____

MANITOBA SECURITIES COMMISSION
Per:_____
Title:_____

FINANCIAL AND CONSUMER SERVICES COMMISSION OF NEW BRUNSWICK
Per:_____
Title:_____

OFFICE OF THE SUPERINTENDENT OF SECURITIES, DIGITAL GOVERNMENT AND SERVICE NEWFOUNDLAND AND LABRADOR
Per:_____

Title:_____

DEPUTY MINISTER FOR INTERGOVERNMENTAL AFFAIRS NEWFOUNDLAND AND LABRADOR
Per:_____
Title:_____

OFFICE OF THE SUPERINTENDENT OF SECURITIES, NORTHWEST TERRITORIES
Per:_____
Title:_____

NOVA SCOTIA SECURITIES COMMISSION
Per:_____
Title:_____

OFFICE OF THE SUPERINTENDENT OF SECURITIES, NUNAVUT
Per:_____
Title:_____

ONTARIO SECURITIES COMMISSION
Per:_____
Title:_____

PRINCE EDWARD ISLAND OFFICE OF THE SUPERINTENDENT OF SECURITIES
Per:_____
Title:_____

FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN
Per:_____
Title:_____

OFFICE OF THE YUKON SUPERINTENDENT OF SECURITIES
Per:_____
Title:_____

Schedule A
Oversight Reviews

On behalf of all Regulators, the Reviewing Regulators will carry out periodic coordinated oversight reviews of [New IPF] for the purposes of: (i) evaluating whether selected regulatory processes are effective, efficient, and are applied consistently and fairly; and (ii) assessing compliance with the terms and conditions of the Approval Orders and any Acceptance Decision.

A Regulator may choose to participate in a coordinated review of [New IPF], or may choose to rely on another Regulator for the review of [New IPF]. In cases where a Regulator chooses not to review [New IPF] office in its jurisdiction, the other Regulators may conduct a review of that [New IPF] office.

Each Regulator may also perform an independent review of [New IPF] to deal with significant and/or local issues. Any Regulator who intends to perform such a review will notify staff of the other Regulators prior to conducting such a review.

The scope of the review will be determined by utilizing a risk-based methodology established and agreed upon by staff of the Regulators.

When the Reviewing Regulators carry out a coordinated review, they will use best efforts to adhere to the following within any timelines established among themselves:

1) The Reviewing Regulators will establish and agree on a work plan for the coordinated review that sets the target completion date for each step, including conducting the review, reviewing draft reports, confirming factual accuracy, translating and publishing the final report, and follow-up plans.

2) The Reviewing Regulators will coordinate their review of [New IPF] by conducting their reviews at the same time.

3) The Reviewing Regulators will develop and use a uniform review program and uniform performance benchmarks to conduct the coordinated review and will ensure the review is appropriately staffed in their respective jurisdiction.

4) The Coordinators will, as needed, arrange for communications among the Reviewing Regulators during the course of a review, to discuss the progress of the work completed and to ensure appropriate consistency in the Reviewing Regulators' approach.

5) Each Reviewing Regulator will share with all other Reviewing Regulators the results of its review, including draft findings and, upon request, supporting materials.

6) Unless otherwise agreed upon, the Coordinators will draft a review report and share it among the Reviewing Regulators to ensure it meets all of their expectations and requirements, as applicable. The review report will:

   a) take into account the draft findings and comments of the Reviewing Regulators, and

   b) use a common set of criteria to rate the significance and urgency of findings.

7) If the Reviewing Regulators disagree on the content of the draft review report, the Reviewing Regulators will follow the process provided in section 12, as applicable, of Schedule B of this MOU for resolution.

8) After the Reviewing Regulators are mutually satisfied with the draft review report, the Coordinators will forward the draft review report to [New IPF] to confirm factual accuracy.

9) [New IPF] will review the draft review report for factual accuracy and respond to the Reviewing Regulators with comments.

10) The Reviewing Regulators will consider [New IPF]'s comments and revise their report as necessary.

11) The Coordinators will send the revised report to [New IPF] for its formal response.

12) On receipt of [New IPF]'s formal response, the Reviewing Regulators will incorporate such formal response and any follow-up plans into the review report as applicable.

13) Each Reviewing Regulator will seek the necessary internal approval to publish the final review report, taking into account language translation needs where applicable.

14) When each Reviewing Regulator has obtained the necessary internal approvals, the Coordinators will, and the other Reviewing Regulators may, publish the final review report.

Schedule B
Review and Applicable Approval of Amendments

1. Scope and purpose

The Regulators hereby establish uniform procedures relating to their review and applicable approval of, or non-objection to, Amendments proposed by [New IPF].

2. Classifying Amendments

(a) **Classification**. [New IPF] will classify each proposed Amendment as "housekeeping" or "public comment".

(b) **Housekeeping Amendments**. A "housekeeping" Amendment is a proposed Amendment that has no material impact on investors, issuers, registrants, other market participants, the SRO, [New IPF], or the capital markets generally and that:

(i) makes necessary changes of an editorial nature (such as correcting a textual mistake or inaccurate cross-reference, correcting a translation, making a formatting change, or standardization of terminology),

(ii) changes the routine internal processes, practices, or administration of [New IPF], or

(iii) is necessary to conform [New IPF]'s policies or by-laws to applicable Securities Legislation, statutory or legal requirements, accounting or auditing standards, or to other [New IPF] policies or by-laws (including those that the Regulators have approved or non-objected to, but which [New IPF] has not yet made effective).

(c) **Public comment Amendments**. A "public comment" Amendment is any proposed Amendment that is not a housekeeping Amendment.

(d) **Regulators' disagreement with classification**. If staff of a Regulator thinks that [New IPF] incorrectly classified a proposed Amendment as housekeeping, the Regulators and [New IPF] will use best efforts to adhere to the following:

(i) Within 5 business days of the date of [New IPF]'s filing under section 3, staff of the Regulator who intends to disagree with the classification will advise staff of the other Regulators, in writing, that they intend to disagree and provide reasons for their intended disagreement.

(ii) Within 3 business days after receiving or sending notice of disagreement, staff of the Coordinators will discuss the classification, and may arrange a conference call, with staff of the other Regulators and, as applicable, [New IPF].

(iii) If disagreement with the classification still exists after any such discussion, staff of the Coordinators will notify [New IPF] of the disagreement, in writing, with a copy to staff of the other Regulators within 10 business days of the date of [New IPF]'s filing.

(iv) If staff of the Coordinators send a notice of disagreement to [New IPF] under paragraph 2(d)(iii), [New IPF] will reclassify the proposed Amendment as a public comment Amendment or withdraw the proposed Amendment by filing a written notice with staff of the Regulators indicating that it will be withdrawing the Amendment.

(v) If [New IPF] does not receive any such notice of disagreement within 10 business days of the date of [New IPF]'s filing, [New IPF] will assume that staff of the Regulators agree with the classification.

3. Required Filings

(a) **Language requirements**. [New IPF] will file the information required under this section concurrently in both English and French, accompanied with an attestation from a certified translator.

(b) **Filings for housekeeping Amendments**. [New IPF] will file the following information with staff of the Regulators for each proposed housekeeping Amendment:

(i) a cover letter that indicates the classification of the proposed Amendment by citing the applicable provisions in subsection 2(b),

(ii) the Board resolution, or the resolution of the applicable Board committee, including the date that the proposed Amendment was approved,

(iii) the text of the proposed Amendment and, where applicable, a blacklined version showing the changes, and

(iv) a notice for publication including:

(A) a brief description of the proposed Amendment,

(B) the reasons for the housekeeping classification,

(C) the anticipated effective date of the proposed Amendment,

(D) a statement as to whether the proposed Amendment complies with the terms and conditions of [New IPF]'s approval or acceptance, and

(E) confirmation that [New IPF] followed its established internal governance practices in approving the proposed Amendment and considered the need for consequential amendments.

(c) **Filings for public comment Amendments**. [New IPF] will file the following information with staff of the Regulators for each proposed public comment Amendment:

(i) a cover letter that indicates the classification of the proposed Amendment, how [New IPF] has taken the public interest into account when developing the proposed Amendment and why the proposed Amendment is in the public interest,

(ii) the Board resolution, or the resolution of the applicable Board committee, including the date that the proposed Amendment was approved,

(iii) the text of the proposed Amendment, and, where applicable, a blacklined version showing the changes, and

(iv) a notice for publication including:

(A) written analysis detailing the nature, purpose and effect of the proposed Amendment,

(B) the possible effects of the proposed Amendment (including any regional specific effect) on investors, issuers, registrants, other market participants, the SRO, [New IPF] and the capital markets generally,

(C) a description of the context in which [New IPF] developed the proposed Amendment, any relevant issues considered, and any alternative approaches considered,

(D) the anticipated effective date of the proposed Amendment,

(E) the items in subparagraph 3(b)(iv)(D) and (E), and

(F) a request for public comment together with details on how to submit comments within the comment period deadline, and a statement that [New IPF] will publish all comments received during the comment period on its public website.

4. Review criteria

Without limiting the discretion of the Regulators, the Regulators agree that the following are factors that staff of the Regulators may consider when reviewing proposed Amendments:

(a) whether a proposed Amendment is in the public interest, and

(b) whether [New IPF] has provided sufficient analysis of the nature, purpose and effect of a proposed Amendment.

5. Review and approval process for housekeeping Amendments

(a) **Confirming receipt**. Upon receipt of the materials detailed in subsection 3(b), staff of the Coordinators will, as soon as practicable, send written confirmation of receipt of the proposed housekeeping Amendment to [New IPF], with a copy to staff of the other Regulators.

(b) **Approval**. Except where notice of disagreement has been sent to [New IPF] in accordance with paragraph 2(d)(iii), the proposed Amendment will be deemed approved or non-objected to on the eleventh business day following the date of [New IPF]'s filing under section 3.

6. Review process for public comment Amendments

(a) **Confirming receipt**. Upon receipt of the materials detailed in subsection 3(c), staff of the Coordinators will, as soon as practicable, send confirmation of receipt of the proposed public comment Amendment to [New IPF], with a copy to staff of the other Regulators.

(b) **Publication and public comment period**. As soon as practicable, staff of the Coordinators and [New IPF] will, and staff of the other Regulators may:

(i) coordinate a publication date amongst themselves, and

(ii) publish the materials referred to in paragraphs 3(c)(iii) and (iv) for a 30-day comment period (or other period agreed upon by staff of the Regulators and [New IPF]) on their respective public websites.

(c) **Publishing and responding to public comments**. [New IPF] will, as and when they are received, promptly publish any public comments on its public website. [New IPF] will also prepare a summary of and responses to those public comments and send them to staff of the Regulators within any timelines established by staff of the Regulators.

(d) **Regulator review**. After the subsection 6(b) comment period has ended, staff of the Regulators will, in writing, provide any significant comments to the Coordinators, copying staff of the other Regulators, within any timelines established among themselves.

(e) **Regulators have no comments**. If staff of the Coordinators do not receive or have any significant comments within the period provided for under subsection 6(d), staff of the Regulators will be deemed to not have any comments and the following applies:

(i) If [New IPF] has received public comments, the Regulators will, upon receipt of [New IPF]'s summary and responses described in subsection 6(c), follow the processes applicable to the review of [New IPF] responses set out in paragraphs 6(f)(v) through (ix).

(ii) If [New IPF] has not received any public comments, or the public comments received do not raise any material issues (as determined by staff of the Regulators), staff of the Regulators will proceed immediately to the approval or non-objection process in section 8.

(f) **Regulators have comments**. If staff of the Coordinators receive or have significant comments within the period provided for under subsection 6(d), staff of the Regulators and [New IPF] will use best efforts to adhere to the following process using timelines established amongst themselves:

(i) At the end of the period provided for under subsection 6(d), staff of the Coordinators will prepare and deliver to staff of the other Regulators a draft comment letter that incorporates their own significant comments and the significant comments raised by staff of the other Regulators and may, if deemed necessary, identify different views among staff of the Regulators.

(ii) Staff of the Regulators will provide any significant written comments on the draft comment letter to the Coordinators, copying staff of the other Regulators; if staff of the Coordinators do not receive any such comments within the timelines agreed upon, staff of the other Regulators will be deemed not to have any comments.

(iii) Following the other Regulators' response (or deemed response), staff of the Coordinators will consolidate all comments received and, when finalized to the satisfaction of staff of the Regulators, send the comment letter to [New IPF], with a copy to staff of the other Regulators.

(iv) [New IPF] will respond, in writing, to the comment letter sent by staff of the Coordinators, with a copy to staff of the other Regulators.

(v) After receiving [New IPF]'s response, staff of the Regulators will provide any significant comments, in writing, to staff of the other Regulators; if staff of the Coordinators do not receive and do not have any such comments within the timelines agreed upon, staff of the Regulators will:

(A) be deemed not to have any comments, and

(B) proceed immediately to the approval or non-objection process in section 8.

(vi) Staff of the Regulators and, as applicable, [New IPF] will follow the process laid out in paragraphs 6(f)(i) to (v) when staff of the Regulators have significant comments on [New IPF]'s response to the comment letter.

(vii) Staff of the Coordinators will attempt to resolve any issues that staff of the Regulators have raised on a timely basis and will consult with staff of the other Regulators or [New IPF], as needed.

(viii) If staff of the Regulators disagree about the substantive content of the comment letter in paragraph 6(f)(i) or whether to recommend approval of or non-objection to the Amendment, staff of the Coordinators will invoke section 12.

(ix) If [New IPF] fails to respond to comments of staff of the Regulators within 120 days of receipt of the most recent comment letter from staff of the Regulators (or such other time as agreed to by staff of the Regulators), [New IPF] may withdraw the Amendment in accordance with section 13 or staff of the Regulators will, if they agree among themselves to do so in writing, recommend their respective decision makers to object to or not approve the Amendment.

7. Revising and republishing public comment Amendments

(a) **Language requirements**. If, subsequent to its publication for comment, [New IPF] revises a public comment Amendment, [New IPF] will file any such revision, which will include, as applicable, a blacklined version to the original published version, a cumulative blacklined version of the Amendment, and a clean copy of the revised Amendment, concurrently in both English and French, accompanied with an attestation from a certified translator.

(b) **Revising Amendments**. If such a revision changes the Amendment's substance or effect in a material way, staff of the Coordinators may, in consultation with [New IPF] and staff of the other Regulators, require the revised Amendment to be republished for an additional comment period. Upon republication, the initial or previous Amendment will be considered closed, and not approved or in effect.

(c) **Published documents**. If a public comment Amendment is republished, the revised request for comments will include, as applicable, the information filed under subsection 7(a), the date of Board approval or approval of the applicable Board committee (if different from the original published version), [New IPF]'s summary of comments received and responses for the previous request for comments, together with an explanation of the revisions to the Amendment and the supporting rationale for the revisions.

(d) **Applicable provisions**. Any republished public comment Amendment will be subject to all provisions in this Schedule B applicable to public comment Amendments, except where otherwise provided for in this Schedule B.

8. Approval process for public comment Amendments

(a) **Coordinators seek approval**. Staff of the Coordinators will use their best efforts to seek approval of or non-objection to the Amendment within 20 business days of the end of the review process set out in section 6.

(b) **Coordinators circulate documents**. After the Coordinators make a decision about an Amendment, staff of the Coordinators will promptly circulate to staff of the other Regulators applicable documentation relating to the Coordinators' decision.

(c) **Other Regulators seek approval**. Staff of the other Regulators will use their best efforts to seek approval or non-objection within 20 business days of receipt of applicable documentation from staff of the Coordinators.

(d) **Other Regulators communicate decision to Coordinators**. Staff of each Regulator will promptly inform staff of the Coordinators in writing after a decision about the Amendment has been made.

(e) **Coordinators communicate decision to [New IPF]**. Staff of the Coordinators will promptly communicate to [New IPF], in writing, the decision about the Amendment, including any conditions, upon receipt of notification of the other Regulators' decisions.

9. Effective date of Amendments

(a) **Public comment Amendments**. Public comment Amendments (other than Amendments implemented under section 11) will be effective on the later of:

(i) the date the Coordinators publish the notice of approval or non-objection in accordance with subsection 10(a), and

(ii) the date designated by [New IPF] under subparagraph 3(c)(iv)(D) or the date as determined by [New IPF].

(b) **Housekeeping Amendments**. Housekeeping Amendments will be effective on the later of:

(i) the date of deemed approval or non-objection in accordance with subsection 5(b), and

(ii) the date designated by [New IPF] under subparagraph 3(b)(iv)(C).

(c) **Failing to make an Amendment effective within one year**. [New IPF] will advise staff of the Regulators in writing if it has not made an Amendment effective within one year of receiving approval or non-objection from the Regulators, and will include the following information:

(i) the reasons it has not yet made the Amendment effective,

(ii) [New IPF]'s projected timeline for making the Amendment effective, and

(iii) the impact on the public interest of delaying making the Amendment effective within one year.

10. Publishing notice of approval

(a) **Public comment Amendments**. For any public comment Amendment, staff of the Coordinators and [New IPF] will both publish a notice of approval of or non-objection on their respective websites, together with:

(i) if applicable, [New IPF]'s summary of comments received and responses, and

(ii) if changes were made to the version published for public comment, a blacklined version of the revised Amendment.

(b) **Housekeeping Amendments**. For any housekeeping Amendments, staff of the Coordinators will prepare a notice of deemed approval or non-objection and both the Coordinators and [New IPF] will publish such notice, together with the materials referred to in paragraphs 3(b)(iii) and (iv), on their respective public websites.

(c) **Publication by other Regulators**. Any other Regulators may publish notices of approval at their own discretion.

11. Immediate implementation

(a) **Criteria for immediate implementation**. If [New IPF] identifies an urgent need to implement a proposed public comment Amendment because of a substantial risk of material harm to investors, issuers, registrants, other market participants, the SRO, [New IPF] or the capital markets generally, [New IPF] may make the proposed public comment Amendment effective immediately upon approval by the Board, subject to subsection 11(d), and provided that:

(i) [New IPF] provides staff of each Regulator with written notice of its intention to rely upon this procedure at least 10 business days before the Board considers the proposed public comment Amendment for approval, and

(ii) [New IPF]'s written notice in paragraph 11(a)(i) includes:

(A) the date on which [New IPF] intends the proposed public comment Amendment to be effective, and

(B) an analysis in support of the need for immediate implementation of the proposed public comment Amendment.

(b) **Notice of disagreement**. If staff of a Regulator does not agree that immediate implementation is necessary, staff of the Regulators and, as applicable, [New IPF] will use best efforts to adhere to the following:

(i) Staff of the Regulator which disagrees with the need for immediate implementation will, within 5 business days after [New IPF] provides notice under subsection 11(a), advise staff of the other Regulators in writing that they disagree and provide the reasons for their disagreement.

(ii) Staff of the Coordinators will promptly notify [New IPF] of the disagreement in writing.

(iii) Staff of [New IPF] and staff of the Regulators will discuss and attempt to resolve any concerns raised on a timely basis but, if the concerns are not resolved to the satisfaction of staff of all Regulators, [New IPF] cannot immediately implement the proposed public comment Amendment.

(c) **Notice of no disagreement**. Where there is no notice of disagreement under and within the timelines set out in paragraph 11(b)(i), or where concerns have been resolved under paragraph 11(b)(iii), staff of the Coordinators will immediately provide written notice to [New IPF], with a copy to staff of the other Regulators, that it may immediately implement the proposed public comment Amendment subject to Board approval.

(d) **Effective date**. Proposed public comment Amendments that [New IPF] immediately implements in accordance with section 11 will be effective on the later of the following:

(i) the date of the notice provided to [New IPF] under subsection 11(c),

(ii) the date the Board approves the Amendment, and

(iii) the date designated by [New IPF] in its written notice to staff of the Regulators.

(e) **Subsequent review of Amendment**. A public comment Amendment that is implemented immediately will subsequently be published, reviewed, and approved or non-objected to in accordance with the applicable provisions of this Schedule B.

(f) **Subsequent disapproval of Amendment**. If the Regulators subsequently object to or do not approve a public comment Amendment that [New IPF] immediately implemented, [New IPF] will promptly repeal the public comment Amendment and inform SRO Members of the Regulators' decision.

12. Disagreements

If any disagreement, either among the Regulators or between the Regulators and [New IPF], about a matter arising out of or relating to this Schedule B cannot be resolved through discussions, the Regulators will use best efforts to adhere to the following using timelines established amongst themselves:

(a) If staff of one of the Regulators notifies the other Regulators that in their view there is a disagreement that cannot be resolved through staff discussions, then staff of the Coordinators will arrange for senior staff of the Regulators to discuss the issues and attempt to reach a consensus.

(b) If, following such discussions, a consensus is not reached, staff of the Coordinators will escalate the disagreement as applicable and, ultimately, to the Regulators' Chairs or other senior executives of the Regulators or such other process as agreed to by staff of the Regulators.

(c) If, following such escalation, a consensus is not reached, [New IPF] may withdraw the Amendment in accordance with section 13 or staff of the Regulators will recommend that their respective decision makers object to or not approve the Amendment.

13. Withdrawing proposed Amendments

(a) **Filing notice of withdrawal**. If [New IPF] withdraws a proposed public comment Amendment that the Regulators have not yet approved or non-objected to, [New IPF] will file with staff of the Regulators a written notice indicating that it will be withdrawing the Amendment.

(b) **Contents of notice of withdrawal**. The written notice in subsection 13(a) must contain:

(i) the reason [New IPF] submitted the proposed Amendment,

(ii) any dates on which the Board or the applicable Board committee approved the proposed Amendment,

(iii) any prior publication dates,

(iv) the Board resolution, or the resolution of the applicable Board committee, supporting the withdrawal of the proposed Amendment,

(v) the reasons [New IPF] is withdrawing the proposed Amendment, and

(vi) the impact of withdrawing the proposed Amendment on the public interest.

(c) **Publishing notice of withdrawal**. Where the proposed Amendment being withdrawn had previously been published for comment under subsection 6(b), staff of the Coordinators and [New IPF] will both publish a notice on their public websites stating that [New IPF] will be withdrawing the proposed Amendment together with the reasons [New IPF] is withdrawing the proposed Amendment.

14. Reviewing and amending Schedule B

Staff of the Regulators will, when they agree it is necessary to do so, conduct a joint review of the operation of this Schedule B in order to identify issues relating to:

(a) the effectiveness of this Schedule B,

(b) the continuing appropriateness of the timelines and other requirements set out in this Schedule B, and

(c) any necessary or desirable amendments to this Schedule B.

15. Waiving or varying Schedule B

(a) **[New IPF] request**. [New IPF] may file a written request with the Regulators to waive or vary any part of this Schedule B and, in such a case, the Regulators will use best efforts to adhere to the following using timelines established amongst themselves:

(i) A Regulator who objects to the granting of the waiver or variation will notify the other Regulators of their objection, together with their reasons for the objection. If the Coordinators do not receive or send any notice of objection, the Regulators are deemed to not object to the waiver or variation.

(ii) In accordance with the timelines established by the Regulators, the Coordinators will provide written notice to [New IPF] as to whether the waiver or variation has been granted or objected to.

(b) **Regulator request**. The Regulators may waive or vary any part of this Schedule B if all of the Regulators agree in writing to such waiver or variation.

(c) **General**. A waiver or variation may be specific or general and may be made for a time or for all time as mutually agreed by the Regulators.

16. Publishing materials

If staff of the Coordinators publish any materials under this Schedule B, staff of the other Regulators may also publish the same materials and, in such a case, staff of the Coordinators will coordinate the publication date with staff of the other Regulators.

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