The Ontario Securities Commission

CSA STAFF NOTICE OF APPROVAL

CSA Staff Notice of Approval 25-307
Recognition of New Self-Regulatory Organization of Canada
and
CSA Staff Notice of Approval 25-308
Approval and Acceptance of Canadian Investor Protection Fund

Supplement to the OSC Bulletin

November 24, 2022

Volume 45, Issue 47 (Supp-2)

(2022), 45 OSCB

The Ontario Securities Commission administers the
Securities Act of Ontario (R.S.O. 1990, c. S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c. C.20)

The Ontario Securities Commission
Cadillac Fairview Tower
22nd Floor, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

Contact Centre – Inquiries, Complaints:
416-593-8314 or Toll Free 1-877-785-1555
Fax: 416-593-8122
Email: inquiries@osc.gov.on.ca

Office of the Secretary:
Fax: 416-593-2318

Published under the authority of the Commission by:
Thomson Reuters
One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4
416-609-3800 or 1-800-387-5164

THOMSON REUTERS®

43123404

The OSC Bulletin is published weekly by Thomson Reuters Canada, under the authority of the Ontario Securities Commission.

Thomson Reuters Canada offers every issue of the Bulletin, from 1994 onwards, fully searchable on S*ecuritiesSource*™, Canada's pre-eminent web-based securities resource. *SecuritiesSource*™ also features comprehensive securities legislation, expert analysis, precedents and a weekly Newsletter. For more information on *SecuritiesSource*™, as well as ordering information, please go to:

https://www.westlawnextcanada.com/westlaw-products/securitiessource/

or call Thomson Reuters Canada Customer Support at 1-416-609-3800 (Toronto & International) or 1-800-387-5164 (Toll Free Canada & U.S.).

Claims from *bona fide* subscribers for missing issues will be honoured by Thomson Reuters Canada up to one month from publication date.

Space is available in the Ontario Securities Commission Bulletin for advertisements. The publisher will accept advertising aimed at the securities industry or financial community in Canada. Advertisements are limited to tombstone announcements and professional business card announcements by members of, and suppliers to, the financial services industry.

The publisher is not engaged in rendering legal, accounting or other professional advice. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

Printed in the United States by Thomson Reuters.

ISSN 0226-9325

THOMSON REUTERS®

Address

One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4

Customer Support

1-416-609-3800 (Toronto & International)
1-800-387-5164 (Toll Free Canada & U.S.)
Fax 1-416-298-5082 (Toronto)
Fax 1-877-750-9041 (Toll Free Canada Only)
Email CustomerSupport.LegalTaxCanada@TR.com

CSA STAFF NOTICE OF APPROVAL

CSA Staff Notice of Approval 25-307
Recognition of New Self-Regulatory Organization of Canada
and
CSA Staff Notice of Approval 25-308
Approval and Acceptance of Canadian Investor Protection Fund

TABLE OF CONTENTS

CSA STAFF NOTICE OF APPROVAL

CSA Staff Notice of Approval 25-307
Recognition of New Self-Regulatory Organization of Canada
and
CSA Staff Notice of Approval 25-308
Approval and Acceptance of Canadian Investor Protection Fund

CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice of Approval 25-307
Recognition of New Self-Regulatory Organization of Canada

November 24, 2022

Effective January 1, 2023, the New Self-Regulatory Organization of Canada (**New SRO**) is recognized as a self-regulatory organization by the Alberta Securities Commission; the Autorité des marchés financiers; the British Columbia Securities Commission; the Manitoba Securities Commission; the Financial and Consumer Services Commission of New Brunswick; the Office of the Superintendent of Securities, Digital Government and Service Newfoundland and Labrador; the Office of the Superintendent of Securities, Northwest Territories; the Nova Scotia Securities Commission; the Office of the Superintendent of Securities, Nunavut; the Ontario Securities Commission; the Prince Edward Island Office of the Superintendent of Securities; the Financial and Consumer Affairs Authority of Saskatchewan; and the Office of the Yukon Superintendent of Securities (**Regulators**).

Background

Following public consultation, the Canadian Securities Administrators (**CSA**) published the CSA Position Paper 25-404 *New Self-Regulatory Organization Framework* (**Position Paper**), describing the plan to establish a new single enhanced SRO that will consolidate the functions of the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**). The CSA also indicated that it would combine the two current compensation / contingency fund organizations, the Canadian Investor Protection Fund (**CIPF**) and the MFDA Investor Protection Corporation (**MFDA IPC**), into a single compensation / contingency fund organization which will be independent from the New SRO.

The MFDA and IIROC have been fully supportive of the CSA position and have been working collaboratively under the CSA oversight. On May 12, 2022, the CSA published for comment the CSA Staff Notice and Request for Comment 25-304 *Application for Recognition of New Self-Regulatory Organization*. In response to the publication, comments from 37 stakeholders were received demonstrating the continued overall support, from both industry stakeholders and investor advocates, for the enhanced regulatory framework outlined in the Position Paper. The summary and response to public comments are provided in Appendix D of this notice.

The statutory amalgamation of IIROC and the MFDA in accordance with the *Canada Not-for-Profit Corporations Act* allows IIROC and the MFDA to be combined and continue as one corporation by operation of law. The amalgamated corporation will adopt a temporary legal name “New Self-Regulatory Organization of Canada”, which will be replaced by a new permanent name, to be determined at a later date.

The combined compensation / contingency fund organization has been approved or accepted, effective January 1, 2023, by the Regulators and will be named “Canadian Investor Protection Fund”.

The Autorité des marchés financiers will publish, prior to the close of the amalgamation, final amendments to put into effect its transition plan for mutual fund dealers registered in Québec and their registered individuals.

Transitional Provisions

Certain existing regulations, rules, orders, policies, notices or other instruments in the CSA jurisdictions refer to IIROC or the MFDA or both. Following the amalgamation, such references will be treated and interpreted as references to the New SRO until the appropriate consequential amendments are implemented, as considered necessary. Also, following the amalgamation, the powers and duties of the New SRO with respect to the registration of firms and individuals in each of the CSA jurisdictions and also with respect to inspection in Québec, will remain the same as the current applicable powers and duties of IIROC unless changed by the Regulators subsequent to this notice taking effect.

The interim rules of the New SRO (attached as Schedule 2) contain detailed transitional provisions regarding the continued jurisdiction of the New SRO over any persons subject to the current IIROC and MFDA rules.

Summary of Notable Changes to the Recognition Order

Following the public comment period, some changes, summarized below, were made to the Recognition Order:

- It was clarified in the recitals that no changes to the current delegation of registration authority to IIROC will result from the amalgamation.
- In response to the comment letters, some clarifying edits were made to the definition of "Independent Director" to ensure improved objectivity of the test used to determine Director independence.
- The Fees section was updated to ensure that affiliates of investment and mutual fund dealers are properly captured.
- Several sections were updated to ensure appropriate confidentiality protections of any information shared with the New SRO by the CSA.
- It was clarified that the CSA continues to maintain separate jurisdiction over the Members and Approved persons of the New SRO.
- In response to the comment letters, a public interest guiding principle relating to complaint handling and resolution processes was made more precise.
- Provisions on information sharing requirements were clarified to ensure that such requirements ensure that the confidential information of market participants and the personal information of investors were sufficiently protected.

Contents of the Notice of Approval

The Notice of Approval has the following components:

- Appendix A – Recognition Order for the New SRO
- Appendix B – Memorandum of Understanding among the Recognizing Regulators regarding oversight of the New SRO
- Appendix C – Recognition Application
    - Schedule 1 – By-law No. 1 of the New SRO
        - a. Clean
        - b. Blacklined to May 12, 2022 publication
    - Schedule 2 – Interim Rules of the New SRO
        - i. Investment Dealer and Partially Consolidated Rules
            - a. Summary of changes
            - b. Clean
            - c. Blacklined to May 12, 2022 publication
        - ii. Investment Dealer Form 1
            - a. Summary of changes
            - b. Clean
            - c. Blacklined to existing IIROC Form 1
        - iii. Mutual Fund Dealer Rules
            - a. Summary of changes
            - b. Clean
            - c. Blacklined to May 12, 2022 publication

iv. Mutual Fund Dealer Form 1 (clean only; no changes since May 12, 2022 publication)
    a. Universal Market Integrity Rules
    b. Clean
    c. Blacklined to May 12, 2022 publication

- Schedule 3 – Interim Fee Model Guidelines Applicable to Investment Dealer Members and Marketplace Members
    a. Clean
    b. Blacklined to existing IIROC Fee Model Guidelines
- Schedule 4 – Terms of Reference for the New SRO Investor Advisory Panel
    a. Clean
    b. Blacklined to May 12, 2022 publication

- Appendix D – Summary of and response to public comments

In addition, IIROC and the MFDA have also published FAQs on the Interim Rules and the Integration Cost Recovery Fee Model Guideline located on the New SRO website.

APPENDIX A

RECOGNITION ORDER FOR THE NEW SRO

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

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
NEW SELF-REGULATORY ORGANIZATION OF CANADA

RECOGNITION ORDER
(Section 21.1(1) of the Act and Section 16(1) of the CFA;
Section 21.4 of the Act and Section 19 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 (**IIROC Order**).

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 (**MFDA Order**).

AND WHEREAS following public consultations, the Canadian Securities Administrators (**CSA**) published CSA Position Paper 25-404 – *New Self-Regulatory Organization Framework*, describing the plan to establish a new single enhanced self-regulatory organization that will consolidate the functions of IIROC and the MFDA 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 IIROC and the MFDA have agreed to consolidate their regulatory activities through a legal amalgamation to form the New Self-Regulatory Organization of Canada (**New SRO**), which was subsequently approved by a vote of their respective members.

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

AND WHEREAS the 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. The 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 the 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, SC 2009, c. 23*.

AND WHEREAS IIROC and the MFDA have also requested the Commission accept the voluntary surrender of the recognition of IIROC and the MFDA as self-regulatory organizations under 21.4 of the Act and 19 of the CFA, submitting that there is no need to continue the IIROC Order and the MFDA Order, as they will be replaced by this Recognition Order once it is effective.

AND WHEREAS IIROC and the MFDA have 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 the New SRO (**MOU**) effective January 1, 2023, as amended from time to time.

AND WHEREAS IIROC and the MFDA are consolidating through the legal amalgamation to continue as the 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 the New SRO until the appropriate consequential amendments are implemented, if considered necessary. To the extent that 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. Notwithstanding anything in this Recognition Order, or anything arising as a consequence of the amalgamation, the powers and duties, if applicable, of the New SRO with respect to the registration of firms and individuals in the jurisdiction of each of the Recognizing Regulators, including with respect to categories of registration, shall be the same as the powers and duties if applicable, of IIROC with respect to the registration of firms and individuals in the jurisdiction of each of the Recognizing Regulators immediately prior to the effective date of this Recognition Order unless changed by a Recognizing Regulator subsequent to this Order taking effect.

AND WHEREAS based on the Application and the representations made by IIROC and the MFDA, the Commission is satisfied that recognizing the 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 the 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.

AND WHEREAS the Commission has determined that acceptance of the voluntary surrender of the recognition of IIROC and the MFDA as self-regulatory organizations would not be prejudicial to the public interest.

IT IS ORDERED, under subsection 21.1(1) of the Act and under subsection 16(1) of the CFA, that the 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.

AND IT IS ORDERED, under section 21.4 of the Act and under section 19 of CFA, that the Commission accepts the voluntary surrender of the recognition of IIROC and the MFDA as self-regulatory organizations; as a result, the IIROC Order and the MFDA Order cease to have effect upon the effective date of this Recognition Order.

Dated October 25, 2022, effective January 1, 2023.

"D. Grant Vingoe"
Board Director / Chief Executive Officer
Ontario Securities Commission

"Kevan Cowan"
Board Director
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 New SRO.

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

"Dealer Member" means a Member of the New SRO 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 the 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 New SRO 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 the 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 the New SRO.

"New SRO MOU" means Memorandum of Understanding regarding oversight of the 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, having regard to all relevant circumstances, could interfere with or be reasonably perceived 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

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

(d) 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. The New SRO must continue to comply with the criteria attached at Schedule 1.

Public interest

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

(2) The 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 the New SRO reimbursing the Commission for any fees, when required.

Status

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

(2) The New SRO must comply with any terms and conditions the Commission may impose in the public interest concerning any transaction that would result in the 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. The 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, the New SRO must consider and clearly articulate why the proposal is in the public interest.

Governance

10. (1) The Board

The 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

The 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

The New SRO will establish Regional Councils according to its by-laws. The Regional Councils will serve an advisory role to the 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. The New SRO must develop an integrated fee model to be approved by the Commission. Until such time, the 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 or affiliated investment and mutual fund dealers where such increase is related to the costs of creation of the New SRO.

Investor engagement and protection

12. (1) The 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 the 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 the New SRO, before rendering a decision that affects the rights of a person or company in relation to membership, registration, or enforcement matters, the New SRO must provide that person or company an opportunity to be heard.

Record keeping

14. (1) The New SRO must keep records of all matters subject to regulatory approvals by the 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) The New SRO must set Rules governing its Dealer Members and others subject to its jurisdiction, and the New SRO must set Rules governing trading on Marketplace Members by Dealer Members and others subject to its jurisdiction.

(2) The 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, the New SRO must administer, monitor and/or enforce rules pursuant to a regulation services agreement.

(4) The 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, the 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) The New SRO must adopt policies and procedures designed to ensure that confidential information, including personal information, related to its operations, the Commission's 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) The 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) The New SRO must develop and make available to the public processes for handling complaints against the New SRO, including appropriate escalation procedures.

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

(10) The 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) The 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.

(12) Any actions taken by the New SRO to administer, monitor or enforce compliance with Rules and securities legislation is without prejudice to any action that may be taken by the Commission under securities legislation.

Use of Monetary Sanctions

16. (1) All Monetary Sanctions collected by the 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, the New SRO must

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

(i) the specifics relating to each Enforcement Proceeding commenced by the 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), the 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. The New SRO must establish written criteria for making a determination of confidentiality.

Capacity and integrity of systems

18. (1) The 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 the 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) The 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. The 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 the 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) The 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) The 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) The 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 and enforcement processes;

(m) ensuring that the complaint handling and resolution processes of the New SRO and the complaint handling requirements the New SRO imposes on its Members are accessible to, and provide clear understandable guidance for, complainants and deal with complaints fairly and efficiently;

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

(o) 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 the 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, the 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 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.

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

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

Compensation or contingency trust fund

5. The New SRO must comply with any agreement signed with the Canadian Investor Protection Fund (**CIPF**)

Access

6. (1) The 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. The 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) The 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) The 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. The New SRO must develop, implement and maintain adequate controls to ensure capacity, integrity requirements and security of its technology systems.

Rules

10. (1) The 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) The 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, the 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, the New SRO will cooperate and may, as appropriate, proactively and transparently share information or data 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, financial services or other financial regulatory 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.

(4) Information or data that is non-public, including personal information, that is shared by any of the Recognizing Regulators with the New SRO is confidential, and must not be disclosed to third parties without obtaining the prior consent of that Recognizing Regulator.

If the New SRO is required to disclose any information or data provided to it by a Recognizing Regulator pursuant to a requirement of law, the New SRO shall notify the concerned Recognizing Regulator prior to complying with such a requirement and shall assert all applicable legal exemptions or privileges as may be appropriate.

Other criteria – Québec

13. The constituting documents, by-laws and Rules of the 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) The New SRO will provide the Commission with at least 12 months' written notice prior to completing any transaction that would result in the 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) The 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) The 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) The 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 the 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) The 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 the New SRO, or notification from any of the Recognizing Regulators, that the 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 the 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, the New SRO, CIPF 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, CIPF or the 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 the New SRO, could give rise to payments being made out of CIPF, 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 the New SRO with respect to a Dealer Member in financial difficulty;

(k) any terms and conditions imposed, varied or removed by the 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) The 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's 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) The 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 the 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 the 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 the 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 the New SRO is in compliance with the terms and conditions applicable to it in Appendix A of the Recognition Order.

Financial reporting

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

(2) The 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, the 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) The 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) The 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 B

MEMORANDUM OF UNDERSTANDING AMONG
THE RECOGNIZING REGULATORS REGARDING OVERSIGHT OF THE NEW SRO

MEMORANDUM OF UNDERSTANDING REGARDING
OVERSIGHT OF
THE NEW SELF-REGULATORY ORGANIZATION OF CANADA
(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

The 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 the 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 the New SRO which includes:

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

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

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

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

The purpose of the Oversight Program is to ensure that the 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 the New SRO are:

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

(ii) Transparency – each RR shares with other RRs important communications with the 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 the 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 the New SRO Rules.

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

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

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

"Rule" means any rule, policy, form, fee model or other similar instrument of the 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 the 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 the 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 the New SRO. The Coordinators must not make any unilateral decision, or give unilateral direction, with respect to the 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 the 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 the New SRO, issues relating to the regulation of New SRO's Members and other matters that are of interest to the RRs and the 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 the New SRO will be sent to the Coordinators, with a copy to staff of the other RRs. The Coordinators will request that the 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 the New SRO is a party, each RR will share with other RRs, and authorize the 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 the New SRO, and

(ii) other information or data communicated between the RR and the 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 January 1, 2023.

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:_____

MINISTER FOR INTERGOVERNMENTAL AFFAIRS NEWFOUNDLAND AND LABRADOR, OR DESIGNATE

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 the 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.** The New SRO will file the information required under this section concurrently in both English and French.

(b) **Filings**. The 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 the 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 the 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 the 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, the 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 the New SRO with reasons for the intended objection and copy staff of the other RRs, and will give the New SRO an opportunity to present written submissions;

(v) after considering the written submissions provided by the 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 the 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 the New SRO and will copy staff of the other RRs.

Appendix B
Oversight Reviews

The RRs will carry out periodic coordinated oversight reviews of the 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 the 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 the 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 the New SRO to confirm factual accuracy.

9) The 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 the 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 the New SRO.

Any review of a new by-law, amendment to an existing by-law or revocation of an existing by-law proposed by the 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**. The 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, the New SRO, the Canadian Investor Protection Fund (**CIPF)** 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 the 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 the New SRO has not yet made effective), or

(iv) establishes or changes a due, fee or other charge imposed by the 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 the New SRO incorrectly classified a proposed Rule Change as housekeeping, the RRs and the 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, the New SRO.

(iii) If disagreement with the classification still exists after any such discussion, staff of the Coordinators will notify the 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 the New SRO under paragraph 2(d)(iii), the 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 the New SRO does not receive any such notice of disagreement within 10 business days of the date of New SRO's filing, the New SRO will assume that staff of the RRs agree with the classification.

3. Required filings

(a) **Language requirements**. The 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**. The 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,

(iv) a statement as to whether the proposed Rule Change involves a Rule that the 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,

(v) confirmation that the New SRO followed its established internal governance practices in approving the proposed Rule Change and considered the need for consequential amendments,

(vi) a statement as to whether the proposed Rule Change conflicts with applicable laws or the terms and conditions of New SRO's recognition, and

(vii) a notice for publication including:

(A) a brief description of the proposed Rule Change,

(B) the reasons for the housekeeping classification, and

(C) the anticipated effective date of the proposed Rule Change.

(c) **Filings for public comment Rule Changes**. The 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,

(iv) the items in subparagraphs 3(b)(iv), (v) and (vi), and

(v) 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 the 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, the New SRO, CIPF 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 the 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, and

f. a request for public comment together with details on how to submit comments within the stated comment period deadline, and a statement that the New SRO will publish all comments received during the comment period on its public website.

(B) Information that must be included, if relevant:

a. where the proposed Rule Change requires investors, issuers, registrants, the New SRO, or CIPF 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 the 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 the New SRO, with a copy to staff of the other RRs.

(b) **Approval**. Except where a notice of disagreement has been sent to the 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 the 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 the 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 the 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, the New SRO will publish any public comments on its public website, if it has not already done so. The 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, the 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, the 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 the New SRO, with a copy to staff of the other RRs.

(iv) The 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, the 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 the 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 the 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), the 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, the New SRO revises a public comment Rule Change, the 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 the 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 the New SRO**. Staff of the Coordinators will promptly communicate to the 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 the New SRO under subparagraph 3(c)(iv)(A) or the date as determined by the 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 the New SRO under subparagraph 3(b)(iv)(C).

(c) **Revisions to the effective date of a Rule Change**. The New SRO will advise staff of the RRs in writing if it has not made a Rule Change effective by the date designated by the 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 the 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 the 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 the 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 the 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, the New SRO, CIPF or the Canadian capital markets generally, the New SRO may make the proposed public comment Rule Change effective immediately, subject to subsection 11(d), and provided that:

(i) The 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 the 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, the 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 the 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 the New SRO in writing of the disagreement.

(iii) Staff of the 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, the 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 the 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 the 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 the 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 the New SRO immediately implemented, the 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 the 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, the 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 the New SRO withdraws a proposed public comment Rule Change that the RRs have not yet approved or non-objected to, the 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 the 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 the 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 the New SRO will both publish a notice on their public websites stating that the New SRO will be withdrawing the proposed Rule Change, together with the reasons the 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**. The 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 the 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.

APPENDIX C

RECOGNITION APPLICATION

September 30, 2022

VIA EMAIL

To:

Alberta Securities Commission
250, 5th Street SW
Ste. 600
Calgary, AB T2P OR4
Attn:
Mr. Stan Magidson
Chair and Chief Executive Officer

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC V7Y 1L2
Attn:
Ms. Brenda Leong
Chair and Chief Executive Officer

The Manitoba Securities Commission
500 - 400 St. Mary Avenue
Winnipeg, MB R3C 4K5
Attn:
Mr. David Cheop
Chair and Chief Executive Officer

Financial and Consumer Services Commission
85 Charlotte Street, Suite 300
Saint John, NB E2L 2J2
Attn:
Mr. Kevin Hoyt
Executive Director of Securities

Service Newfoundland & Labrador
Digital Government and Service NL
100 Prince Phillip Drive

P.O. Box 8700
St. John's, NL A1B 4J6
Attn:
Mr. Scott Jones
Assistant Deputy Minister, Regulatory Affairs
Superintendent of Securities

Office of the Superintendent of Securities
Department of Justice, Government of the Northwest Territories
5009 - 49 th Street, 1st Floor Stuart M.
P.O. Box 1320
Yellowknife, NT X1A 2L9
Attn:
Mr. Matthew F. Yap
Superintendent of Securities

Nova Scotia Securities Commission
Ste. 400, Duke Tower, 5251 Duke Street
PO Box 458
Halifax, NS B3J 2P8
Attn:
Mr. Paul E. Radford
Chair

Office of the Superintendent of Securities Nunavut
1st Floor, Brown Building
Iqaluit, NU X0A 0H0
Attn: Shamus Armstrong

Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto, ON M5H 3S8
Attn:
Mr. D. Grant Vingoe
Chief Executive Officer

The Office of the Superintendent Securities
Office of the Attorney General
95 Rochford Street, P.O. Box 2000
Charlottetown, PE C1A 7N8
Attn:
Mr. Steve Dowling
Director

Autorité des marchés financiers
800, Square Victoria, 22e étage
Montréal, QC H4Z 1G3
Attn:
Mr. Louis Morisset
President and Chief Executive Officer

Financial and Consumer Affairs Authority of Saskatchewan
1919 Saskatchewan Drive, 6th Floor
Regina, SK S4P 3V7
Attn:
Mr. Roger Sobotkiewicz
Chair and CEO

Office of the Yukon Superintendent of Securities
307 Black Street, 1st Floor
Whitehorse, Yukon Y1A 2N1
Attn:
Mr. Fred Pretorius
Superintendent of Securities

Dear Sirs/Mesdames:

Re: Application for Recognition of New Self-Regulatory Organization of Canada (the "New SRO")

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 Self-Regulatory Organization of Canada, (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 by 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 the SROs wish for each of IIROC and the MFDA's existing recognition orders to be superseded and of no force or effect (discussed further below).

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**") 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.

The respective boards of directors of the MFDA and IIROC determined that the Amalgamation is the most effective way to facilitate the creation of a new single enhanced self-regulatory organization, in the form of the New SRO. Accordingly, the MFDA and IIROC entered into a combination agreement on August 29, 2022, which was approved by the respective boards of directors of the MFDA and IIROC. The Combination Agreement contemplates that, subject to the approval of the MFDA members and the IIROC members, the MFDA and IIROC will amalgamate. Further, the respective boards approved a joint information circular ("**Joint Information Circular**") inviting members to vote "yes" to the Amalgamation at their upcoming special meeting (described below).

MFDA members voted on the proposed amalgamation at a special meeting of MFDA members held at 11:00 a.m. (EDT) on September 29, 2022. IIROC members voted on the proposed amalgamation at a special meeting of IIROC members held at 5:00 p.m. (EDT) on September 29, 2022. The Amalgamation was approved by not less than two-thirds of the votes cast by MFDA members entitled to vote at the MFDA Meeting and by not less than two-thirds of the votes cast by the Dealer Members and Marketplace Members of IIROC entitled to vote, each voting as a separate class, at the IIROC Meeting.

The New SRO Mandate

The New SRO will be a non-share capital corporation under the *Canada Not-for profit Corporations Act* ("**CNCA**"). The initial By-law No. 1 of the New SRO ("By-Law No. 1") is attached hereto as Schedule 1.

The mandate of the New SRO is to act in the public interest by, without limitation:

- protecting investors from unfair, improper, or fraudulent practices by its members;
- fostering fair and efficient capital markets and promoting market integrity;
- fostering public confidence in capital markets;
- facilitating investor education;
- administering a fair, consistent and proportionate continuing education program for all Dealer Members and applicable approved persons;
- accommodating innovation and ensuring flexibility and responsiveness to the future needs of the evolving capital markets, without compromising investor protection;
- providing effective market surveillance;
- fostering efficient and effective cooperation and coordination with the Recognizing Regulators to ensure regulatory alignment;
- facilitating access to advice and products for investors of different demographics;
- recognizing and incorporating regional considerations and interests from across Canada;
- 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;
- administering robust compliance and enforcement processes;
- ensuring that the complaint handling and resolution processes of New SRO and the complaint handling requirements New SRO imposes on its members are accessible to, and provide clear understandable guidance for, complainants and deal with complaints fairly and efficiently;
- contributing to financial stability, under the direction of the Recognizing Regulators; and
- administering effective governance and accountability to all stakeholders and preventing regulatory capture.

Members

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.

Upon completion of the Amalgamation, each MFDA Member and IIROC Dealer Member will become a Dealer Member of New SRO and each IIROC Marketplace Member will become a Marketplace Member of New SRO. 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.

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.

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

- a recognized exchange or a commodity futures exchange registered in a jurisdiction of Canada;
- a recognized quotation and trade reporting system; or
- 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

- constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities or derivatives;
- brings together the orders for securities or derivatives of multiple buyers and sellers; and
- 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.

Corporate Governance

The New SRO Board

By-law No. 1 establishes 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 industry directors (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, the term of each director of the New SRO (each, a "Director") will 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. With the exception of the President and CEO, a Director may be elected to serve four consecutive terms in office but will not be eligible to be elected to serve a fifth consecutive term.

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 initial Directors and chair of the Board (the "Chair"), proposed by the Special Joint Committee formed by IIROC, the MFDA and the CSA, are set out, and their backgrounds described, in the Joint Information Circular.

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 Board will appoint the chair of each committee.

Governance Committee

The Governance Committee, 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 New SRO 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 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 Governance Committee's mandate includes: (i) reviewing the efficacy of the New SRO's governance practices, (ii) managing and overseeing the process for nominating new directors to the Board, (iii) succession planning for the chair of the Board, (iv) managing and overseeing the process for evaluating the performance of the Board and its committees, (v) ensuring that there is an effective process in place for the identification and management of real, potential or perceived conflicts of interest, (vi) appointing individuals to New SRO's Investor Advisory Panel (as described below), and (vii) reviewing and approving the use of restricted funds (i.e. fine and settlement monies).

Finance, Audit and Risk Committee

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 New SRO's accounting and financial reporting processes; the qualifications, independence and performance of 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 Directors.

Human Resources and Pension Committee

The Board will establish a Human Resources and Pension Committee (the "**HR Committee**") to ensure that 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 to assist 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 Directors.

Appointments Committee

The Board will establish an Appointments Committee (the "**Appointments Committee**") which will be responsible for appointing 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 CEO, and a majority of which (including the chair of such committee) will be Independent Directors. In accordance with By-Law No. 1, the Appointments Committee will always be comprised of an uneven number of Directors.

Member Committees

New SRO National Council and Regional Councils

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

Each Regional Council will be composed of four to 20 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. The Regional Councils will have an advisory role to New SRO to provide regional perspectives on national or any other issues and recommendations on regulatory policy matters to staff of New SRO. Pursuant to the Recognition Order, New SRO will allocate sufficient resources to the Regional Councils to ensure they can meaningfully fulfil their responsibilities. In addition, the Regional Councils will advise New SRO on industry trends and issues to ensure that New SRO is proactive in dealing with emerging issues.

The Board intends to establish a National Council to be composed of the Chairs and Vice-Chairs of the Regional Councils and to act as a forum for cooperation and consultation among the Regional Councils and provide recommendations to the Board. The National Council will report to the Board at least annually.

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. In addition, IIROC's District Councils regulatory responsibilities will be transferred to New SRO, as Regional Councils will not have regulatory decision-making authority.

As a transitional measure, pending the establishment of Regional Councils, the existing members of the IIROC District Councils and members of the MFDA Regional Councils will continue to serve on interim councils with a revised advisory mandate. Following the Amalgamation, the New SRO intends to consult with advisory committee members on the role of the new Regional Councils and National Council. The role and mandate of the Regional Councils and the National Council will be considered in the context of the New SRO, reflecting regional diversity and industry representation as well as a larger eco-system of the New SRO advisory committees. It is anticipated that Regional Councils will be constituted in the second calendar quarter of 2023.

Advisory Committees

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 New SRO. Membership on such advisory committees shall be determined by the Board from time to time and if the Board so decides, members of such advisory committees may include Directors, directors, officers or employees of Members, or other individuals. Advisory committees will provide advice to staff and may report to the CEO, senior management or the Board as directed. 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 are providing meaningful advice in a timely and effective manner.

The existing advisory committees of each of the MFDA and IIROC will continue after the completion of the Amalgamation on an interim basis. The New SRO will conduct a review of the mandates and composition of the existing advisory committees of the MFDA and IIROC and engage in a consultation with stakeholders on the proposed advisory committee structure for the New SRO.

Investor Engagement

The New SRO will 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:

- establish an investor advisory panel to provide independent research or input on regulatory and/or public interest matters (the "**Investor Advisory Panel**");
- establish a separate investor office within the New SRO that is prominently positioned, easily identifiable and accessible to investors to be established to support rule development and provide investor education or outreach with the goal of improving investor protection (the "**Investor Office**");
- ensure that appropriate New SRO advisory committees include a reasonable proportion of investor representatives; and
- maintain a whistleblower program.

The terms of reference of the New SRO's Investor Advisory Panel is attached hereto as Schedule 4.

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 hearing panel structure will all reflect New SRO's efforts to fulfill its public interest mandate and address the views of its Members and persons subject to its jurisdiction as an SRO.

The New SRO will have policies and procedures managing real, potential or perceived conflicts of interest of: (i) its officers and employees, as reflected in the Employee Code of Conduct (the "**Employee Code**"), and (ii) members of its disciplinary panels. 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 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 persons regulated by New SRO 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 New

SRO will require that the Employee Code be reviewed at least annually to ensure that it continues to appropriately meet its objectives.

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.

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). 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 affiliated with the same controlling interest or are not dually registered as both investment dealers and mutual fund dealers, in each case to the extent that such increase is related to the costs of creating the New SRO.

The costs and expenses incurred relating to the Amalgamation and start-up of the New SRO are being borne by IIROC and the MFDA and will ultimately be borne by the New SRO. Given that the creation of the New SRO is in the public interest, both the MFDA and IIROC sought approval from the CSA to access the MFDA Discretionary Fund and the IIROC Restricted Fund for an amount up to $4,290,000 each respectively. The balance of integration costs after application of approved Discretionary Fund and Restricted Fund use will be recovered through the Integration Cost Recovery Model fees charged to existing MFDA and IIROC Members who are affiliated with the same controlling ownership interest, and any New SRO Member, existing or new, that becomes dually registered before the cost recovery period ends, as further described below in the section on Fees.

Fees

Final fee model

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.

In accordance with the Recognition Order, 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.
- The process for setting fees must be fair and transparent.
- The New SRO must operate on a cost-recovery basis.

Interim fee model

Upon the Amalgamation, and on an interim basis, the existing fee structures and models of IIROC and the MFDA will initially be maintained and administered by the New SRO with necessary modifications (the "**Interim Fee Model**"). The Interim Fee Model is based on cost recovery. Members who are currently paying fees under both the IIROC and MFDA fee models will continue to pay such fees under the Interim Fee Model immediately following the Amalgamation and until such time as the new fee model is implemented. Dealer Members that register as both an investment dealer and a mutual fund dealer will pay fees under both the

IIROC and MFDA fee structures within the Interim Fee Model until such time as the new fee model is implemented. IIROC's Equity Market Regulation, Debt Market Regulation, and Debt Information Processor fee models will remain largely unchanged as part of the Interim Fee Model, except for the impact of the change on the timing of fee setting as described below.

Fees for fiscal year 2023 will continue to be charged after the Amalgamation, through to the end of the respective fiscal years for MFDA and IIROC.

In order to align administration of annual membership fees for the New SRO under the Interim Fee Model, all fees will be set and approved with the budget in March. Fees will be communicated on or about the first week of April with the first quarterly installment for annual membership fees due for payment by the first business day of May. Each subsequent quarterly installment for annual membership fees will be invoiced at the beginning of the quarter and due by the first business day of the following month. As the first quarter of fiscal 2024 for the New SRO is equivalent to the last quarter of fiscal 2023 for MFDA, mutual fund dealer Members will continue to pay the quarterly membership fees communicated for fiscal 2023 for that quarter, with the balance of annual membership fees for fiscal 2024 evenly distributed over the remaining three quarters and following the Interim Fee Model due dates noted above. The timing of processes related to non- payment of member fees will also be aligned.

As one of the public interest guiding principles is facilitating access to advice for investors of different demographics, including those primarily served by smaller and independent firms, it is important to retain and support that community through the transition to the new regulatory model. Accordingly, the Interim Fee Model will reduce both minimum fees and rebalance downward the fee rates per Revenue Tier for IIROC fees and Assets Under Administration ("**AUA**") category for MFDA fees applicable to the small dealer group. A small dealer is defined for the purposes of the Interim Fee Model as a Member that is either: (i) an investment dealer that pays the IIROC minimum fee, or (ii) a mutual fund dealer with AUA for MFDA fee purposes that is less than $1 billion. Specifically, the IIROC minimum fee will be reduced to $16,000 with the related Revenue Tiers reduced accordingly. The MFDA minimum fee will be reduced to $1,500, with the related AUA fee rates under $1 billion reduced by 50% for small MFDA dealers. This modification would apply starting for fiscal year 2024 and will apply for a minimum of two years or until the final fee model is determined. The Interim Fee Model Guidelines applicable to Investment Dealer Members and Marketplace Member are attached hereto as Schedule 3.

Québec-based mutual fund dealers

The transition of regulatory services in Québec and related impact on fees will follow the same fee model principles outlined above. While the New SRO will continue to operate on a cost recovery basis, efforts will be made to minimize or avoid fee impacts of duplicative regulatory structures during transition in Québec, and specifically ensure that mutual fund dealers in Québec pay the New SRO a reduced fee, the amount of which shall be proportionate to the services offered to them.

Integration cost recovery model

Integration costs will be recovered through a separate fee, calculated based on an integration cost recovery model (the "**Integration Cost Recovery Model Fees**"), charged quarterly as a percentage of the applicable firm's annual membership fees, subject to a 10% annual cap. The percentage will be set annually and charged over three to five years until the balance of integration costs are recovered. The final timeframe will be determined after all integration costs captured by March 31, 2024 are known, to ensure that fees will remain under the 10% of annual membership fees cap. Applicable firms include existing MFDA Members and IIROC Members who are affiliated with the same controlling ownership interest, and any New SRO Member that becomes dually registered before the cost recovery period ends.

Integration Cost Recovery Model Fees will begin for the first quarter of fiscal 2024 at an amount not to exceed 8% of annual membership fees.

Performance of Regulation Functions

Recognition Orders

The independence, mandate and obligations of the New SRO will be prescribed as terms and conditions of its Recognition Order. 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 New SRO must cooperate and assist with any reviews of its functions by the Recognizing Regulators or an independent third-party that is acting at the direction of the Recognizing Regulators. 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 an SRO.

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 SRO, 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 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 have 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 Effective Time or related to actions which took place prior to the Effective Time.

Capacity and Integrity of Systems

The New SRO plans to perform its regulatory 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 the New SRO.

The New SRO will 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, processing capability, storage, connectivity and backup are managed carefully. With respect to the market surveillance regulation functions, the 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 the normal operation of its production 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 MFDA and IIROC's practice of continuous vulnerability scanning and at least annually engage a third party to conduct an independent assessment of its potential vulnerability to internal and external threats. The New SRO will continue to ensure that relevant service providers implement appropriate confidentiality and security provisions.

Internal Controls

The New SRO will, at least annually, engage a third-party to complete an assessment of the New SRO's internal controls for critical systems in accordance with established audit procedures and standards.

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 plans to continue to operate under these and/or new consolidated 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**"). Members can expect that their activities and conduct as Members of the New SRO will continue to be regulated in the manner to which they are accustomed based on their current securities registration status, pursuant to the New

SRO's 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 were subject to public consideration and comment, will also include new Rules to: (i) eliminate IIROC District Council regulatory approval authorities while maintaining their advisory role, (ii) permit firms registered as both an investment dealer and a mutual fund dealer (dual-registered firm) to employ mutual funds only licensed individuals without having to upgrade their proficiencies to those required of a securities licensed individual, (iii) permit introducing/carrying broker arrangements between mutual fund dealers and investment dealers, (iv) enable mutual-funds-only registered individuals employed by a dual-registered firm to be able to continue to direct commission where permitted by local securities legislation, (v) facilitate the timely movement of accounts between affiliated firms (including situations where accounts are being moved to a dual-registered Affiliated Firm) without requiring the completion of new account documentation, and (vi) allow for a sufficient Dealer Member implementation period once the names of the New SRO and investor protection fund are determined. 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.

A consolidated rule book will be developed, informed by a comprehensive policy plan for a regulatory approach reflecting the general principle that like activities will be regulated in like manner. The intention is to find convergence on a risk based and consistently applied approach to principles-based rules, compliance and enforcement. The process for development of the consolidated rule book (and new policy development generally) will be informed by consultations, following existing, established proposed rule review and approval mechanisms including the assessment of public comments to determine the needs of the Members of the New SRO and the public interest. The intention is to give the New SRO Members and the public sufficient time and opportunity to engage with the New SRO personnel to respond to any new rule proposals following a consultation period. The voice of Members will be key.

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 the 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 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 investment dealers. The new category of mutual-funds-only licensed individuals employed by a dual-registered firm will be subject to the same requirements as dealing representatives registered with a Mutual Fund Dealer. 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.

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 plans to base its rules for the discipline of persons or companies subject to its regulation 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 of the New SRO, including any disciplinary or enforcement decision, will be reviewable by the Recognizing Regulators or other designated reviewing bodies as provided in applicable securities legislation having appropriate jurisdiction.

Québec Requirements

For mutual fund dealers registered in Québec ("**Québec MFDs**"), the New SRO's regulatory requirements will not apply, with the exception of provisions required to ensure the smooth operation of the New SRO, to their Québec activities. Québec MFDs will benefit from a transition period in order to integrate their Québec activities with the New SRO.

Transition Period

During the transition period, activities carried out in Québec by Québec MFDs will be required to meet the requirements in Regulation 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations and applicable Québec legislation. Québec MFDs dealing representatives will continue to be exempt from the New SRO's continuing education requirements for their activities in Québec as well as discipline since the Chambre de la sécurité financière ("CSF") is responsible for those activities in Québec.

As well, during this transition period, the New SRO will meet the requirements provided in the Appendix, which also forms part of the Québec Recognition Order. Québec MFDs will participate as members in the consultations and committees that will be constituted by the New SRO.

Complaints and inquiries relating to Québec MFDs and their registered individuals will be referred to staff of the New SRO in Montréal for their Québec activities for transfer to the AMF or the CSF.

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

Other Québec Specifics

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 power to make decisions relating to the supervision of the New SRO's activities in Québec will be exercised mainly by persons residing in Québec.

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

The New SRO Québec MFDs will be able to participate as Members in the consultations and committees that will be constituted by it.

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 Recognition Order, the New SRO will, subject to applicable law (including privacy law), share information with the Recognizing Regulators, and may, as appropriate, proactively and transparently share information with exchanges, SROs, clearing agencies, financial intelligence or law enforcement agencies or authorities, banking, financial services or other financial regulatory 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, and enter into new information-sharing agreements where appropriate.

Surrender or Revocation of Existing IIROC and MFDA Recognition Orders

In addition to an Application for recognition, kindly also consider this joint letter a request by the SROs for the CSA to accept the voluntarily surrender of, or revoke, the existing IIROC and MFDA Recognition Orders, in accordance with securities legislation applicable to the Recognizing Regulators. The voluntary surrender or revocation of the recognition orders will not be prejudicial to the public interest; specifically the interests of the members of the organizations and the public are sufficiently protected.

The SROs believe this will assist full public transparency. There is no need to continue the existing recognition orders post-Amalgamation, as they will be fully replaced by the New SRO RO once it is effective.

Sincerely,

"Andrew J. Kriegler"
President and Chief Executive Officer
IIROC

"Karen L. McGuinness"
President and Chief Executive Officer
MFDA

Attachments:

Schedule 1 – By-law No. 1 of New SRO

a. Clean
b. Blacklined to May 12, 2022 publication

Schedule 2 – Interim Rules of New SRO

i. Investment Dealer and Partially Consolidated Rules
   a. Clean
   b. Blacklined to May 12, 2022 publication
ii. Investment Dealer Form 1
   a. Clean
   b. Blacklined to existing IIROC Form 1
iii. Mutual Fund Dealer Rules
   a. Clean
   b. Blacklined to May 12, 2022 Publication
iv. Mutual Fund Dealer Form 1 (clean only, no changes since May 12, 2022 publication)
v. Universal Market Integrity Rules
   a. Clean
   b. Blacklined to May 12, 2022 Publication

Schedule 3 – Interim Fee Model Guidelines Applicable to Investment Dealer Members and Marketplace Members

a. Clean
b. Blacklined to existing IIROC Fee Model Guidelines

Schedule 4 – Terms of Reference for the New SRO Investor Advisory Panel

a. Clean
b. Blacklined to May 12, 2022 publication

Appendix – Québec Requirements

APPENDIX

QUÉBEC REQUIREMENTS
(Unofficial Translation)

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.

SCHEDULE 1

BY-LAW NO. 1 OF THE NEW SRO

Schedule 1 – By-law No. 1 of the New SRO, clean and blacklined, is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Schedule.

BY-LAW NO. 1

being a General By-law of

NEW SELF-REGULATORY ORGANIZATION OF CANADA

(hereinafter referred to as the **"Corporation"**)

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

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.

"**Approved Person**" means "Approved Person" within the meaning of the relevant Rules.

"**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 Self-Regulatory Organization of Canada.

"**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 an agreement made between the Corporation and an 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 Canadian Investor Protection Fund or the MFDA Investor Protection Corporation or any of their successors.

"**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 the Recognizing Regulators, recognizing the Corporation as a self-regulatory organization.

"**Recognizing Regulators"** means (i) the Alberta Securities Commission; (ii) the Autorité des marchés financiers; (iii) the British Columbia Securities Commission; (iv) the Manitoba Securities Commission; (v) the Financial and Consumer Services Commission (New Brunswick); (vi) Office of the Superintendent of Securities, Northwest Territories; (vii) Nova Scotia Securities

Commission; (viii) Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; (ix) Office of the Superintendent of Securities, Nunavut; (x) the Ontario Securities Commission; (xi) Prince Edward Island Office of the Superintendent of Securities; (xii) Financial and Consumer Affairs Authority of Saskatchewan; and (xiii) Office of the Yukon Superintendent of Securities.

"**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 for greater certainty, 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 Approved Persons and other representatives of those persons set out in subsection (i) and (ii) , 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, having regard to all relevant circumstances, could interfere with or be reasonably perceived to interfere with the exercise of a Director's independent judgment.

(3) For greater certainty, relationships with the Corporation described in this Section 1.3 include relationships with the Corporation's predecessors or affiliated entities.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(9) 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.

(10) 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 and enforcement processes;

(m) ensuring that the complaint handling and resolution processes of the Corporation and the complaint handling requirements the Corporation imposes on its Members are accessible to, and provide clear understandable guidance for, complainants, and deal with complaints fairly and efficiently;

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

(o) 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 no longer carries 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 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 an IPF as may be, in the discretion of the Board, consistent with the objects of the Corporation including, without limitation, an 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 an Industry Agreement or other agreements and arrangements entered into by the Corporation from time to time, each Dealer Member:

(a) shall promptly pay 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 for certainty 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) To assist the Recognizing Regulators in carrying out their regulatory mandates, the Corporation must proactively and transparently share information or data and cooperate with the Recognizing Regulators.

(2) To assist other regulatory authorities in carrying out their regulatory mandates, the Corporation will cooperate and may, as appropriate, proactively and transparently share information or data and cooperate with, whether domestic or foreign, exchanges, self-regulatory organizations, clearing agencies, financial intelligence or law enforcement agencies or authorities, banking, financial services or other financial regulatory authorities and investor protection or compensation funds.

(3) The cooperation contemplated by paragraphs (1) and (2) above 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.

(4) The Corporation may enter into an agreement with any entity described in paragraphs (1) and (2) above 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 registration, market surveillance, investigation, enforcement litigation, investor protection and compensation and for any other regulatory purpose.

(5) The sharing of information and data by the Corporation pursuant to this Section 14.7 is subject to applicable laws and the terms of the Recognition Orders.

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 an IPF, its board of directors, or any committees or officers, employees and agents of the foregoing, 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 an 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 19AUDITOR

Section 19.1 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 the auditor. The remuneration of the auditor 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.

BY-LAW NO. 1

being a General By-law of ~~[New SRO]~~

NEW SELF-REGULATORY ORGANIZATION OF CANADA

(hereinafter referred to as the **"Corporation"**)

~~TABLE OF CONTENTS~~

~~Page~~

TABLE OF CONTENTS

Page

Page

~~TABLE OF CONTENTS~~

~~(continued)~~

Page

Page

~~TABLE OF CONTENTS~~

~~(continued)~~

Page

~~**Section 1.1 Definitions**~~

~~ARTICLE 1~~

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.

"**Approved Person**" means "Approved Person" within the meaning of the relevant Rules.

"**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~~Self-Regulatory Organization of Canada.

"**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.~~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~~an agreement ~~dated [], 2022~~ made between the Corporation and ~~the~~an 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 ~~[]~~Canadian Investor Protection Fund or the MFDA Investor Protection Corporation or any of their successors.

"**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~~the Recognizing Regulators, recognizing the Corporation as a self-regulatory organization.

"**Recognizing Regulators**" means (i) the Alberta Securities Commission; (ii) the Autorité des marchés financiers; (iii) the British Columbia Securities Commission; (iv) the Manitoba Securities Commission; (v) the Financial and Consumer Services Commission (New

Brunswick); (vi) Office of the Superintendent of Securities, Northwest Territories; (vii) Nova Scotia Securities Commission; (viii) Office of the Superintendent of Securities, Digital Government and Services, Newfoundland and Labrador; (ix) Office of the Superintendent of Securities, Nunavut; (x) the Ontario Securities Commission; (xi) Prince Edward Island Office of the Superintendent of Securities; (xii) Financial and Consumer Affairs Authority of Saskatchewan; and (xiii) Office of the Yukon Superintendent of Securities.

"**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 for greater certainty, 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 Approved Persons and other representatives ~~as designated in the Rules of any of the foregoing~~of those persons set out in subsection (i) and (ii) , 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 ~~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 ~~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, having regard to all relevant circumstances, could interfere with or be reasonably ~~expected~~perceived to interfere with the exercise of a Director's independent judgment.

(3) For greater certainty, relationships with the Corporation described in this Section 1.3 include relationships with the Corporation's predecessors or affiliated entities.

(4) ~~(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.

(5) ~~(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.

(6) ~~(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.

(7) ~~(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.

(8) ~~(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.

(9) ~~(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.

(10) ~~(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~~

ARTICLE 2
AFFAIRS OF THE CORPORATION

Section 2.1 ~~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~~,~~ and enforcement ~~and~~processes;

(m) ensuring that the complaint handling and resolution processes of the Corporation and the complaint handling requirements the Corporation imposes on its Members are accessible to, and provide clear understandable guidance for, complainants, and deal with complaints fairly and efficiently;

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

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

Section 2.2 ~~Section 2.2~~ Seal

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

Section 2.3 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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~~ARTICLE 3~~
CONDITIONS OF MEMBERSHIP

Section 3.1 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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**~~

Section 3.11 Ceasing to Carry on Business

If a Member ~~has ceased to carry~~no longer carries 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 ~~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~~ARTICLE 4~~
MEMBERS' MEETINGS

Section 4.1 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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~~ARTICLE 5~~
BOARD OF DIRECTORS

Section 5.1 ~~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 ~~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~~

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 ~~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 ~~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 ~~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 ~~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 ~~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~~ARTICLE 6~~
POWERS OF DIRECTORS

Section 6.1 ~~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 ~~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 ~~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 ~~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~~ARTICLE 7~~
DIRECTORS' MEETINGS

Section 7.1 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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~~ARTICLE 8~~
OFFICERS

Section 8.1 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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 ~~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~~

ARTICLE 9
PROTECTION OF DIRECTORS AND OTHERS

Section 9.1 ~~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~~

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 ~~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~~ARTICLE 10~~
REGIONAL COUNCILS

Section 10.1 ~~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 ~~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 ~~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 ~~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 10.5 ~~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 10.6 ~~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 11~~ARTICLE 12~~
COMMITTEES AND ADVISORY BODIES

Section 11.1 ~~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 11.2 ~~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 11.3 ~~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 11.4 ~~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 11.5 ~~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 11.6 ~~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 11.7 ~~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 11.8 ~~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 12~~ARTICLE 13~~
NOTICES

Section 12.1 ~~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 12.2 ~~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 12.3 ~~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 12.4 ~~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~~

ARTICLE 13
RULES AND OTHER INSTRUMENTS

Section 13.1 ~~Section 14.1~~ Power to Make, Amend or Repeal Rules

The Board may make and from time to time amend or repeal such 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 13.2 ~~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 13.3 ~~Section 14.3~~ Use of Restricted Fund

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

Section 13.4 ~~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~~an IPF as may be, in the discretion of the Board, consistent with the objects of the Corporation including, without limitation, ~~the~~an 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~~an 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 13.5 ~~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 13.6 ~~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 for certainty 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 13.7 ~~Section 14.7~~ Exchange of Information, Agreements

(1) To assist the Recognizing Regulators in carrying out their regulatory mandates, the Corporation must proactively and transparently share information or data and cooperate with the Recognizing Regulators.

(2) To assist other regulatory authorities in carrying out their regulatory mandates, the Corporation will cooperate and may, as appropriate, proactively and transparently share information or data and cooperate with, whether domestic or foreign, exchanges, self-regulatory organizations, clearing agencies, financial intelligence or law enforcement agencies or authorities, banking, financial services or other financial regulatory authorities and investor protection or compensation funds.

(3) ~~(1)~~The ~~Corporation may provide assistance, including~~cooperation contemplated by paragraphs (1) and (2) above includes the collection and sharing of information ~~(including information obtained by the Corporation pursuant to the By-Laws or Rules or otherwise in its possession)~~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 ~~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~~and is subject to applicable laws related to information sharing and protection of personal information.

(4) ~~(2)~~The Corporation may enter into an agreement with any entity described in ~~Section 14.7~~paragraphs (1) and (~~1~~2) above 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 registration, market surveillance, investigation, enforcement litigation, investor protection and compensation and for any other regulatory purpose.

(5) ~~**ARTICLE 15**~~ The sharing of information and data by the Corporation pursuant to this Section 14.7 is subject to applicable laws and the terms of the Recognition Orders.

ARTICLE 14
NO ACTIONS

Section 14.1 ~~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~~an IPF, its ~~Board~~board of directors, or any ~~of its~~ committees or ~~its~~ officers, employees and agents of the foregoing, 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~~an 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 14.2 ~~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~~

ARTICLE 15
USE OF NAME OR LOGO: LIABILITIES: CLAIMS

Section 15.1 ~~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 15.2 ~~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 15.3 ~~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~~

ARTICLE 16
TRANSITION PERIODS FOR BY-LAWS AND RULES

Section 16.1 ~~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~~

ARTICLE 17
AMENDMENT, REPEAL, ENACTMENT OF BY-LAWS

Section 17.1 ~~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~~

ARTICLE 18AUDITOR

Section 18.1 Auditor

The Members shall, at each annual meeting, appoint ~~a public accountant~~an auditor to audit the accounts of the Corporation for report to the Members at the next annual meeting. The ~~public accountant~~auditor 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~~auditor. The remuneration of the ~~public accountant~~auditor shall be fixed by the Board.

ARTICLE 19~~ARTICLE 20~~
BOOKS AND RECORDS

Section 19.1 ~~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

INTERIM RULES OF THE NEW SRO

The Interim Rules of the New SRO include:

a. Investment Dealer and Partially Consolidated Rules
   i. Summary of changes
   ii. Clean
   iii. Blacklined to May 12, 2022 publication
b. Investment Dealer Form 1
   i. Summary of changes
   ii. Clean
   iii. Blacklined to existing IIROC Form 1
c. Mutual Fund Dealer Rules
   i. Summary of changes
   ii. Clean
   iii. Blacklined to May 12, 2022 publication
d. Mutual Fund Dealer Form 1 (clean only; no changes since May 12, 2022 publication)
   i. Universal Market Integrity Rules
   ii. Clean
   iii. Blacklined to May 12, 2022 publication

The Interim Rules are available in electronic format only within the CSA Staff Notice of Approval 25-307, Recognition of New Self-Regulatory Organization of Canada located at the SRO section of the OSC website at www.osc.ca: Industry / Market regulation / Self-regulatory organizations (SRO).

SCHEDULE 3

INTERIM FEE MODEL GUIDELINES APPLICABLE TO INVESTMENT DEALER MEMBERS AND MARKETPLACE

Schedule 3 – Interim Fee Model Guidelines Applicable to Investment Dealer Members and Marketplace Members, clean and blacklined, is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Schedule.

This page intentionally left blank

INTERIM FEE MODEL GUIDELINES
APPLICABLE TO INVESTMENT DEALER MEMBERS AND MARKETPLACE MEMBERS
EFFECTIVE JANUARY 1, 2023

TABLE OF CONTENTS

INTRODUCTION

This Interim Fee Model is applicable to Investment Dealer Members and Marketplace Members of the Corporation. The Corporation is the corporation continuing from the amalgamation effective January 1, 2023 of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada.

DEALER MEMBER FEE MODEL

Applicants to become a member of the Corporation are required to pay an Entrance Fee as part of the application process. On becoming Dealer Members, applicants pay Annual Fees for each Fiscal Year. This Dealer Member Fee Model sets out certain details of the Corporation's administration of fees payable where such details are not provided with the By-laws, Rules or elsewhere (including the provisions identified in Appendix B).

Entrance Fee

1. The Entrance Fee charged to each new Dealer Member shall be $25,000, payable as follows:

   (a) a non-refundable amount of $10,000 payable on acceptance of an application for membership as a Dealer Member for review by the Corporation; and

   (b) $15,000 payable on approval of the application for membership as a Dealer Member by the Board.

   In accordance with section 3.5(3) of the By-laws, if the application for membership as a Dealer Member is not approved by the Board within six months from the date the application was accepted for review by the Corporation for any reason that cannot reasonably be attributed to the Corporation or its staff, the amount paid under Subsection 1(a) above is forfeited to the Corporation.

2. Each application for membership as a Dealer Member that is approved by the Board shall be accompanied by a payment to the Restricted Fund equal to 0.5% of the applicant's expected initial capital calculated according to the Corporation's Form 1, payable together with the payment in Subsection 1(b).

Annual Fee

When establishing the Annual Fees payable by Dealer Members for a particular year, the Corporation determines what its net annual costs attributable to Dealer Member regulation are expected to be for that year. Such net annual costs are equal to the Corporation's budgeted costs for that year less projected underwriting levies, proceeds from registration fee sharing arrangements with various securities regulatory authorities, continuing education accreditation

revenue, interest and other income. The Annual Fee payable by a DealerMember will be based on its pro-rata share of such costs as determined in accordance with the provisions set out below.

3. The Annual Fee for each Dealer Member shall be determined with reference to the following components:

   (a) Revenue Component;

   (b) Approved Person Fees Component; and

   (c) Minimum Dealer Regulation Fee Component.

   The Annual Fee shall be the sum of the Revenue Component calculated in accordance with Section 4 and the Approved Person Fees Component calculated in accordance with Section 5, unless such sum is less than the applicable Minimum Dealer Regulation Fee Component set out in Section 6, in which case the Annual Fee shall be the applicable Minimum Dealer Regulation Fee.

   The amount of the Annual Fee calculated in accordance with the foregoing paragraph shall be reduced pursuant to Section 7 if the applicant is approved for membership by the Board at any time after April 1 in any Fiscal Year.

4. ***Revenue Component.*** The Revenue Component of the Annual Fee shall be an amount equal to the product of the Total Revenue of the Dealer Member for the previous calendar year as reported to the Corporation and the Revenue Rate prescribed by the Board in its discretionfor the applicable Revenue Component Tier set out in Appendix A. Revenue Rates will bereviewed and adjusted annually by the Board in its discretion.

5. ***Approved Person Fees Component.*** The Approved Person Fees Component of the Annual Fee shall be an amount equal to the product of the number of Approved Persons of the Dealer Member as at the last day of the previous Fiscal Year and $250.

6. ***Minimum Dealer Regulation Fee Component.*** If the sum of the Revenue Component and the Approved Person Fees Component of a Dealer Member is less than $16,000, the Minimum Dealer Regulation Fee payable by that Dealer Member is $16,000.

7. ***Annual Fee for New Members.*** If an applicant for membership is approved by the Board at any time:

   (a) between April 1 and September 29, both inclusive, the Annual Fee for the balance of the Fiscal Year shall be $15,000;

   (b) between September 30 and December 31, both inclusive, the Annual Fee for the balance of the Fiscal Year shall be $7,500; or

(c) between January 1 and March 31, both inclusive, the Annual Fee for the balance of the Fiscal Year shall be $3,750.

Payment of Annual Fee

8. ***Quarterly Payments.*** The Annual Fee shall be payable in quarterly instalments by the Dealer Member in each year. Notice of the Annual Fees and quarterly payments shall be communicated to each Dealer Member on or about the first week of April. The first quarterly payment shall be made by each Dealer Member by the first business day of May. Each subsequent quarterly installment will be communicated at the beginning of the quarter, and payment shall be made by the first business day of the following month.

9. ***Payment of Annual Fee on Acquisition of Dealer Member.*** Notwithstanding the foregoing, in the event that:

(a) an applicant for membership has acquired the whole or a substantial part of the business and assets of a Dealer Member or Members in good standing whose Annual Fee for the then current Fiscal Year has been paid in full and who is or are resigning from membership concurrently with the admission of the applicant to membership; and

(b) at least a majority in number of the partners of the applicant, in the case of a partnership, or at least a majority in number of the directors and at least a majority in number of the officers of the applicant, in the case of a corporation, are partners, or directors and officers, as the case may be, of the resigning Dealer Member or Members;

then the applicant, if the Board so approves, shall be exempted frompayment of the Entrance Fee and from payment of the Annual Fee for the then current Fiscal Year. In no event including the foregoing circumstances shall there be a credit or refund of Annual Fees paid to date where one Dealer Member acquires all or any part ofthe shares, business or assets of another Dealer Member.

Underwriting Levies

10. ***Interpretation.*** In Sections 10, 11 and 12 the following terms have the following meanings:

(a) "**Canadian Public Offering**" means a Distribution of securities of a corporation, partnership or a trust if a prospectus or similar offering document is required to be filed with any securities regulatory authority in Canada, other than a:

(i) Private Placement; or

(ii) Distribution of Government of Canada securities, Provincial Securities, Municipal Securities or Not-for-Profit securities;

(b) "**Distribution**" means a distribution of securities in Canada by way of Canadian Public Offering or Private Placement, or a distribution of Government of Canada Securities, Provincial Securities, Municipal Securities or Not-for-Profit Securities, whether underwritten on a firm (including bought deals) or best efforts basis by the Dealer Member, as principal or agent, and as a member of the underwriting or selling groups; provided no such distribution shall be a Distribution for the purposes of this definition if the securities are:

(i) Money market obligations with a term to maturity of one year or less, or greater than one year solely by reason of the term to maturity otherwise ending on a day that is not a business day;

(ii) Government of Canada, Provincial and Municipal Securities which are distributed by way of auction by or on behalf of the Government of Canada or a provincial or municipal government;

(iii) Rights to acquire securities issued to holders of previously distributed securities;

(iv) Securities, other than securities described in subsections 10 (c) to 10 (g), inclusive, in respect of which the Total Revenue to the underwriters for the offering of such securities is equal to 1% or less of the aggregate principal amount of the offering in the case of debt securities, or the maximum aggregate price at which the securities are offered in the case of any other securities;

(v) Debt securities in respect of which the aggregate principal amount is less than $1,000,000;

(vi) Any securities (other than debt securities) in respect of which the maximum aggregate offering price is less than $1,000,000; or

(vii) securities distributed in a block trade conducted on a Marketplace if no prospectus or similar offering document is filed with a securities regulatory authority in respect of the block trade;

(c) "**Government of Canada Securities**" means securities of, or guaranteed by, the Government of Canada;

(d) "**Municipal Securities**" means securities of, or guaranteed by, any municipal corporation in Canada;

(e) "**Not-for-Profit Securities**" means securities of any school or school board, hospital or other not-for-profit organization;

(f) "**Private Placement**" means a Distribution of securities of a corporation, partnership or trust if a prospectus or similar offering document is not required to be filed with any securities regulatory authority in Canada, provided that a Distribution of Government of Canada securities, Provincial Securities, Municipal Securities or Not-for-Profit Securities shall not be a private placement for the purposes of this definition;

(g) "**Provincial Securities**" means securities of, or guaranteed by, any province or territory of Canada;

(h) **"Levy Cap**" means, for any Distribution, an amount equal to 2.5% of the Total Revenue to a Dealer Member for its participation in that Distribution;

(i) "**Responsible Dealer**" means the Dealer Member, if any, which is responsible on behalf of more than one Dealer Member for the bookkeeping and accounting in a Distribution;

(j) "**Security**" means any property that is a "security" for the purposes of any securities legislation in Canada, and shall include, without limitation, warrants, debt-like derivatives, structured notes and asset-backed instruments, provided that the Board may from time to time determine whether any particular property is to be included or excluded from such definition, which determination shall be final and conclusive; and

(k) "**Total Revenue**" means, in respect of an offering, the aggregate of:

(i) any commission paid to the Dealer Member; and

(ii) any fee paid to the Dealer Member.

11. ***Levy.*** Each Dealer Member shall pay to the Corporation a levy as follows with respect to itsproportionate participation in any Distribution:

(a) For a Canadian Public Offering, in the case of debt securities, 1/100th of 1% of the aggregate principal amount of the offering or, in any other case 1/100th of 1% of the maximum aggregate price at which the securities are offered;

(b) For a Private Placement, in the case of debt securities, 1/200th of 1% of the aggregate principal amount of the offering or, in any other case, 1/200th of 1% of the maximum aggregate price at which the securities are offered;

(c) For a Distribution of Government of Canada securities, 1/300th of 1% of the aggregate principal amount of the offering;

(d) For a Distribution of Provincial Securities, in the case of debt securities, 1/200th of 1% of the aggregate principal amount of the offering or, in any other case, 1/200th of 1% of the maximum aggregate price at which the securities are offered;

(e) For a Distribution of Municipal Securities, in the case of debt securities, 1/300th of 1% of the aggregate principal amount of the offering or, in any other case, 1/300th of 1% of the maximum aggregate price at which the securities are offered; and

(f) For a Distribution of Not-for-Profit Securities, in the case of debt securities, 1/200th of 1% of the aggregate principal amount of the offering or, in any other case, 1/200th of 1% of the maximum aggregate price at which the securities are offered,

provided that the amount of the levy payable by a Dealer Member for a Distribution shall not exceed an amount equal to the Levy Cap for that Dealer Member for that Distribution.

Each levy shall be calculated in Canadian dollars or in the Canadian dollar equivalent of the currency of the Distribution as of the date on which the first closing of the transaction occurs. If the levy for an offering may be calculated according to more than one of paragraphs (a) to (f) above, the levy shall be calculated according to the paragraph which provides the highest levy.

All Distributions are deemed to take place entirely in Canada unless the Dealer Member provides evidence, acceptable to the Corporation in its sole discretion, of the number of securities offered outside Canada, in which case the levy will be calculated on the securitiesdistributed in Canada.

12. ***Responsible Dealers.*** Each Dealer Member or, if there is a Responsible Dealer in respect of a Distribution involving more than one Dealer Member, the Responsible Dealer shall:

(a) Complete a new levy form for submission with payment;

(b) Provide details of the Total Revenue for each Dealer Member, supported by third-party sources such as the Underwriting/Agency Agreement, Financial Post or SEDAR; if such details are not provided, the Levy Cap will not apply;

(c) Calculate the amount of the levy to be paid by each Dealer Member in respect of the Distribution;

(d) Pay and, in the case of a Responsible Dealer, collect from the other Dealer Members and remit to the Corporation the amount of the levy within sixty (60) days of the date on which the first closing of the transaction occurs; and

(e) Deliver to the Corporation on or before the time of payment of the levy pursuant toparagraph (d) copies of any and all forms, notices and calculations relating to thesize or amount of the Distribution as are required to be filed with any securities regulatory authority or stock exchange in Canada in respect of the Distribution.

If there are two or more Responsible Dealers who have substantially equal obligations in respect of a Distribution, they shall each be responsible on a proportional basis for the collection and remission of the applicable levy; provided that if one of such Responsible Dealers is not a Dealer Member, the Responsible Dealer(s) which are Dealer Members shall collect and remit the levy on behalf of all Dealer Members.

If there is no Responsible Dealer in respect of a Distribution, or if the Responsible Dealer is not a Dealer Member, each Dealer Member shall complete a new levy form and remit its proportion of the levy.

13. ***Discretion of the Board.*** The Board may in its discretion impose the levy on an amount which is less than, in the case of debt securities, the aggregate principal amount of the offering and, in any other case, the maximum aggregate price at which the securities are offered and make any other variations in connection with the imposition of the levy as it deems necessary or desirable.

General

14. ***Assessment.*** Notwithstanding Sections 3 to 6, inclusive, the Board shall have power to make an assessment in any Fiscal Year upon each Dealer Member not to exceed 50% of the Annual Fee payable in such year by such Dealer Member. Each Dealer Member shall pay the amount so assessed upon it within thirty (30) days after receiving written notification thereof from the Secretary.

15. ***Effect of Non-Payment of Fees.***

(a) If the Annual Fee payable by a Dealer Member has not been paid:

(i) in the case of the first quarterly payment, by the first business day of June;

(ii) in the case of the second quarterly payment, by the first business day of September;

(iii) in the case of the third quarterly payment, by the first business day of December; or

(iv) in the case of the fourth quarterly payment, by the first business day of March in any year, or

(b) if the amount assessed upon any Dealer Member pursuant to Section 14 or Section 16 has not been paid within thirty (30) days after the date specified in the written notification thereof from the Secretary,

the Secretary shall, by registered mail, request the Dealer Member to pay the same and draw the Dealer Member's attention to the provisions of this Section 15. If the entire amount owing by the Dealer Member has not been paid within thirty (30) days from the date the Secretary has mailed the request, the Secretary shall notify the Board to this effect and the Board may, in its discretion, terminate the membership of the Dealer Member in default. If the Board decides to terminate the membership of a Dealer Member pursuant to the provisions of this Section 15, the Secretary will be requested to notify the Dealer Member, by registered mail, of the decision of the Board. A former Dealer Member whose membership has been terminated pursuant to the provisions of this Section 15 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 formerDealer Member.

16. ***Extraordinary Costs and Expenses.*** The extraordinary costs and expenses of the Corporation incurred in connection with, but not limited to, items such as (i) the review and/or approval of a novel or unusual application for membership as a Dealer Member, (ii) the review and/or approval of any reorganization, take over or other substantial change in the business, structure or affairs of a Dealer Member, (iii) travel and accommodation outside Canada for staff to conduct compliance exams for a Dealer Member, or (iv) costs associated with compliance site visits conducted by staff for applicants as Dealer Members, may be assessed to the Dealer Member at the discretion of the Board.

17. ***Additional Fees Payable by Dealer Members.*** The foregoing Dealer Member Fee Model is not an exhaustive list of the fees payable by Dealer Members. Additional fees that are payable by Dealer Members in certain circumstances are contained in the Corporation Rules and in the By-laws. Appendix B contains a summary of where these additional fees may be found and the nature of such fees. The summary is intended to be a guide only and is not a full reproduction of the applicable Corporation Rules and/or By-laws. Reference should be made to the full text of the Corporation Rules and the By-laws.

EQUITY MARKET REGULATION FEE MODEL

The Equity Market Regulation Fee Model is applicable to Marketplaces that trade equity securities. Applicants for acceptance as Marketplace Members that are alternative trading systems are required to pay Entrance Fees for their Dealer Member application in addition to the Regulation Services Agreement Fee and an Information Technology Fee, which must be paid by all applicants for acceptance as Marketplace Members. On becoming Marketplace Members, Marketplace-Specific Costs may be payable in certain circumstances. Monthly Equity Market Regulation Fees consisting of Message Processing Fees and Trade Fees (subject to a Minimum Market Regulation Fee) are allocated to Marketplaces and are payable by Dealer Members participating in those Marketplaces. Administration Fees are allocated to Marketplace Members and Dealer Members.

Entrance and Set-Up Fees

18. ***Dealer Member Application Fees.*** For alternative trading systems, the process for acceptance as a Marketplace Member is concurrent with that to become a Dealer Member. The Entrance Fee described in Section 1 is payable by such applicants at the time an application is made.

19. ***Regulation Services Agreement Fee.***

    (a) The minimum fee for the drafting and negotiation of a Regulation Services Agreement between the Corporation and an applicant as a Marketplace Member is $25,000and is payable at the time of application.

    (b) If time cost spent by the Corporation staff on the drafting and negotiation of the Regulation Services Agreement is greater than $25,000, the difference will be invoiced by the Corporation and is payable by the Marketplace Member prior to the Marketplacecommencing operations as a Marketplace Member.

    (c) The Corporation may, in its discretion, charge the fees indicated in paragraphs (a) and (b) above in connection with the drafting and negotiation of a revised or amended Regulation Services Agreement in circumstances where there has been a materialchange in the activities of a Marketplace Member.

20. ***Information Technology Fee.*** The Information Technology Fee charged to each applicant as a Marketplace Member is $66,500 payable as follows:

    (a) a non-refundable deposit of $10,000 payable at the time of application for membership as a Marketplace Member; and

(b) the balance of $56,500 payable when the applicant is authorized to proceed with the testing and development of Surveillance System functionality for the marketplace.

If time cost spent by the Corporation's staff on the connectivity and testing process for the marketplace is greater than $66,500, the difference will be invoiced by the Corporation and is payable by the Marketplace Member upon launch of the marketplace.

All costs of information technology development, including any third-party costs, for a new marketplace are borne by the Marketplace Member.

21. ***Marketplace-Specific Costs.*** Each Marketplace Member will pay to the Corporation (i) incrementalcosts incurred by the Corporation to perform additional work to monitor a Marketplace as a result of unique marketplace features, and (ii) incremental costs incurred by the Corporation as a result ofa Marketplace's failure to meet a Corporation regulatory feed standard, testing window or project deadline, including, without limitation, modifications to the Corporation's systems, additional staffing or remedial work. Marketplace-Specific Costs will be determined withrespect to each Marketplace Member on a monthly basis and shall be invoiced inaccordance with Subsection 26(b).

Monthly Equity Market Regulation Fees

When determining the Monthly Equity Market Regulation Fees allocated to a Marketplace Member for a particular month, the Corporation first determines its total market regulation costs and then deducts the timely disclosure fees, interest and other income received by the Corporation. The net costs are then allocated to each Marketplace Member on a pro-rata basis and are paid by that Marketplace's participating organizations, members or subscribers, as the case may be, that areDealer Members as identified by the Marketplace. The allocation is based on the number of messages sent and trades executed by each Dealer Member on each Marketplace, all in accordance with the provisions set out below.

22. ***Message Processing Fee.***

(a) Each Marketplace shall be allocated a fee based on the Marketplace's share of the total number of messages processed by the Corporation's surveillance system during a particular month. The Message Processing Fee is determined with reference to the total information technology costs of the surveillance system.

(b) The Message Processing Fee shall be paid by Dealer Members based on each Dealer Member's pro-rata share of the messages sent through each Marketplace. The total Message Processing Fee and the applicable unit cost per message shall be disclosed in the monthly invoice delivered to Dealer Members in accordance with Subsection 26(a).

23. ***Trade Fee.***

(a) Each Marketplace shall be allocated a fee based on a particular Marketplace's share of the total number of trades completed during a particular month. The Trade Fee is determined with reference to the net market regulation costs after deduction of the information technology costs of the surveillance system.

(b) The Trade Fee shall be paid by Dealer Members based on each Dealer Member's pro-rata share of the trades made through each Marketplace. The total Trade Fee shall be specified in the monthly invoice delivered to Dealer Members in accordance with Subsection 26(a).

(c) The number of trades executed by a Qualified Market Maker acting in furtherance of its marketplace trading obligations on the listing exchange shall be discounted by 70% for the purposes of calculating the Trade Fee for such Marketplace. The number of trades on the other side of any trade involving a market maker in its stock of responsibility will be included in the calculation of the overall total number of trades. For clarity, the discount will not be applied to trades for securities that are not listed on the listing exchange that has entered into the trading obligations agreement with the Qualified Market Maker.

24. ***Minimum Equity Market Regulation Fee.***

(a) If the aggregate of the Message Processing Fee and the Trade Fee allocated to a Marketplace Member is less than $4,800 in a particular month, such Marketplace Member shall be allocated the Minimum Equity Market Regulation Fee of $4,800, consisting of $1,200 allocated to messages and $3,600 allocated to trades.

(b) If applicable, the Minimum Equity Market Regulation Fee shall be paid by Dealer Members based on each Dealer Member's pro-rata share of the messages sent and the trades made through a Marketplace subject to the Minimum Equity Market Regulation Fee. The portion of the Minimum Equity Market Regulation Fee, if any, payable by a Dealer Member shall be specified in the monthly invoice delivered to the Dealer Member in accordance with Subsection 26(a). If a Marketplace Member chooses to pay the difference between the Minimum Equity Market Regulation Fee and the aggregate of the Message Processing Fee and the Trade Fee allocated to the Marketplace Member then Dealer Members shall only be responsible for paying the latter.

(c) If there are no messages processed or trades completed during a particularmonth, the Marketplace Member shall be required to pay the Minimum Equity Market Regulation Fee directly.

25. ***Administration Fee.***

(a) A fee of $400 shall be charged to each Dealer Member and invoiced in accordance with Subsection 26(a) each month for the provision of detailed billing information or other information related to market regulation fees requested by the Dealer Member.

(b) An Administration Fee of $500 shall be charged to each Marketplace Member and invoiced in accordance with Subsection 26(b) each month for the administration of the invoicing of the fees described in this Equity Market Regulation Fee Model to Dealer Members on behalf of the Marketplace Member.

Payment of Monthly Equity Market Regulation Fees

26. ***Monthly Invoices.***

(a) Dealer Members: Dealer Members shall be invoiced on a monthly basis in arrears within the first ten (10) days of any month for the aggregate of the Message Processing Fee and the Trade Fee, or the Minimum Equity Market Regulation Fee, as applicable, and the Administration Fee charged to Dealer Members. Such invoices are due and payable immediately upon receipt.

(b) Marketplace Members: Marketplace Members shall be invoiced on a monthly basis in arrears within the first ten (10) days of any month for the aggregate of any Marketplace-Specific costs incurred during a particular month as contemplated in Section 21, the Administration Fee charged to Marketplace Members and any amount invoiced to a Marketplace Member under Subsection 24(b).

DEBT MARKET REGULATION FEE MODEL

Monthly Debt Market Regulation Fees

When determining the Monthly Debt Market Regulation Fees allocated to a Dealer Member for a particular month, the Corporation first determines its total debt market regulation costs. These costs arethen allocated to each Dealer Member on a pro-rata basis and are paid by those Dealer Membersas identified based on the number of Non-Repo Debt Transactions and Repo Debt Transactions submitted by each Dealer Member, all in accordance with the provisions set out below.

27. ***Non-Repo Debt Transaction Fee.***

(a) Each Dealer Member shall be allocated a fee, based on their pro-rata share of the total number of Non-Repo Debt Transactions received and processed by the Corporation's debt surveillance system during a particular month. The total Non-Repo Debt Transaction Fee and the applicable unit cost per transaction shall be disclosed in the monthly invoice delivered to Dealer Members in accordance with Section 29.

28. ***Repo Debt Transaction Fee.***

(a) Each Dealer Member shall be allocated a fee, based on their pro-rata share of the total number of Repo Debt Transactions received and processed by the Corporation's debt surveillance system during a particular month. The total Repo Debt Transaction Fee and the applicable unit cost per transaction shall be disclosed in the monthlyinvoice delivered to Dealer Members in accordance with Section 29.

(b) The Repo Debt Transaction Fee will be reduced by cost recoveries received from the Bank of Canada.

Payment of Monthly Debt Market Regulation Fees

29. ***Monthly Invoices.*** Dealer Members shall be invoiced on a monthly basis in arrears within the first ten (10) days of any month for the aggregate of the Non-Repo Debt Transaction Fee and the Repo Debt Transaction Fee, as applicable. Such invoices are due and payable immediately upon receipt.

Late Filing Fee

30. ***Late Filing Fee.*** Dealer Members may be charged a late filing fee, which will be based on the additional effort required by the Corporation to input the late data, make corrections and perform appropriate surveillance.

DEBT INFORMATION PROCESSOR FEE MODEL

Monthly Debt Information Processor Fees

When determining the Monthly Debt Information Processor Fees allocated to a Dealer Member for a particular month, the Corporation first determines its total debt information processor costs. These costs are then allocated to each Dealer Member on a pro-rata basis and are paid by those DealerMembers as identified based on the number of Debt Transactions submitted by each Dealer Member, all in accordance with the provisions set out below.

31. ***Debt Transaction Fee.*** Each Dealer Member shall be allocated a fee, based on their pro-rata share of the total number of Debt Transactions received and processed by the Corporation's debt information processor system during a particular month. The total Debt TransactionFee and the applicable unit cost per transaction shall be disclosed in the monthly invoicedelivered to Dealer Members in accordance with Section 32.

Payment of Monthly Debt Information Processor Fees

32. ***Monthly Invoices.*** Dealer Members shall be invoiced on a monthly basis in arrears within the first ten (10) days of any month for the Debt Information Processor Fees. Such invoices are due and payable immediately upon receipt.

GENERAL PROVISIONS

The provisions set out below are of general application to these Fee Model Guidelines.

33. ***Interest.*** Any amount due and owing to the Corporation pursuant to these Fee Model Guidelines bya Dealer Member shall bear interest at a rate per annum, for any month, of one percent above the Canadian Chartered Bank prime lending rate at the end of each preceding month (calculated daily on the basis of a 365-day year, and payable and compounded monthly) from the date the amount is first due until paid, with interest on arrears calculated and payable in the same manner.

34. ***Change in Fees.*** Any fees specified in these Fee Model Guidelines may be changed on not less than sixty (60) days' notice from the Corporation.

35. ***Applicable Taxes.*** Any fees specified in these Fee Model Guidelines shall require the payment of any taxes applicable to such fees in addition to the specified amounts.

INTERPRETATION

The capitalized terms used in these Fee Model Guidelines have the meanings given to such terms in the Corporation Rules and By-laws, unless otherwise defined in these Fee Model Guidelines. The following terms have the following meanings:

"**Administration Fee**" means the administration fees payable by Dealer Members and Marketplace Members in accordance with Section 25.

"**Annual Fee**" means the annual fee payable by Dealer Members determined with reference to the components set out in Section 3 and calculated in accordance with the provisions of these Fee Model Guidelines.

"**Approved Person**" means an individual in respect of a Dealer Member who is required to be approved by the Corporation in one or more of its approval or registration categories in accordance with the Corporation Rules. For purposes of this Interim Fee Model, "Approved Person" shall exclude an individual that is a Registered Representative dealing in mutual funds only who is an employee of a firm registered as both an investment dealer and a mutual fund dealer.

"**Approved Person Fees Component**" means the levy payable by each Dealer Member determined in accordance with Section 5.

"**BCC**" means the Business Conduct Compliance department of the Corporation.

"Corporation Rule" means that set out in the Corporation Investment Dealer and Partially Consolidated Rules.

"Dealer Member" has the same meaning as set out in General By-law No. 1, section 1.1, except, for the purposes of this Interim Fee Model, Mutual Fund Dealer Members are to be excluded.

"Debt Transactions" means, for the purpose of the Monthly Debt Information Processor Fees, the aggregate of Repo Debt Transactions and Non-Repo Debt Transactions submitted by a Dealer Member.

"**Entrance Fee**" means the initial fee payable by an applicant for membership in the Corporation as a DealerMember as specified in Section 1.

"**FINOPS**" means the Financial and Operations Compliance department of the Corporation.

"**Fiscal Year**" means the fiscal year of the Corporation ending on the last day of March in each year.

"**Information Technology Fee**" means the fee payable by an applicant as a Marketplace Member in accordance with Section 20.

"**Marketplace-Specific Costs**" means the incremental costs payable by a Marketplace Member in accordance with Section 21.

"**Message Processing Fee**" means the fee allocated to a Marketplace each month determined in accordance with Section 22.

"**Minimum Dealer Regulation Fee Component**" means the minimum fee payable by a Dealer Member in each Fiscal Year determined in accordance with Section 6.

"**Minimum Equity Market Regulation Fee**" means the minimum fee allocated to a Marketplace Member in each month determined in accordance with Section 24.

"**Monthly Debt Information Processor Fees**" means the monthly fees allocated to Dealer

Members in accordance with Section 31.

"**Monthly Debt Market Regulation Fees**" means the monthly fees allocated to Dealer Members in accordance with Sections 27 to 28, inclusive.

"**Monthly Equity Market Regulation Fees**" means the monthly fees allocated to Marketplace Members in accordance with Sections 22 to 25, inclusive.

"**Non-Repo Debt Transaction Fee**" means the fee allocated to a Dealer Member each month determined in accordance with Section 27.

"**Non-Repo Debt Transactions**" means transactions in a Debt Security that are subject to reporting requirements under the Corporation Rule 7200: Transaction Reporting for Debt Securities except Repo Debt Transactions, in relation to that portion of the monthly fees allocated to Dealer Members in accordance with Section 27.

"Qualified Market Maker" means a person or company that has an obligation with a listing exchange to:

- Maintain a two-sided market for a particular security listed on the listing exchange on a continuous or reasonably continuous basis, and
- Report suspicious order and/or trade activity to the Corporation.

Provided the listing exchange has adequate policies and procedures to reasonably ensure continued satisfactory performance of these requirements.

"**Regulation Services Agreement Fee**" means the fee payable by a Marketplace Member for the negotiation of a Regulation Services Agreement in accordance with Section 19.

"Repo Debt Transaction Fee" means the fee allocated to a Dealer Member each month determined in accordance with Section 28.

"**Repo Debt Transactions**" means transactions that involve the simultaneous sale and future repurchase, or simultaneous purchase and future sale ("Reverse Repo"), of any Debt Securities, including transactions arranged as buy/sell-backs and sell/buy-backs, as prescribed in the Corporation Rule 7200: Transaction Reporting for Debt Securities, in relation to that portion monthly fees allocated to Dealer Members in accordance with Section 28.

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

"**Revenue Component**" means the portion of the Annual Fee determined in accordance with Section 4.

"**Revenue Component Tier**" means the tiers of revenue set out in Appendix A used to calculate

the Revenue Component.

"**Revenue Rate**" means the rate prescribed annually by the Board for a particular Revenue Component Tier set out in Appendix A.

"**Total Revenue**" means the amount reported as "Total Revenue" in the Monthly Financial Report Form 1, Statement E, as adjusted for approved items that are not in the normal course of business. For purposes of this Interim Fee Model, where a member firm is registered as both an investment dealer and a mutual fund dealer, "Total Revenue" shall exclude revenue generated by the mutual fund business division and/or revenue generated from an Approved Person that is a Registered Representative dealing in mutual funds only.

"**Trade Fee**" means the fee allocated to a Marketplace each month determined in accordance with Section 23.

APPENDIX A
REVENUE COMPONENT TIERS

Tier	Revenues for the Previous Calendar Year
Tier 1.....	Under $500,000
Tier 2.....	$500,000 to under $1 million
Tier 3.....	$1 million to under $3 million
Tier 4.....	$3 million to under $5 million
Tier 5.....	$5 million to under $10 million
Tier 6.....	$10 million to under $25 million
Tier 7.....	$25 million to under $50 million
Tier 8.....	$50 million to under $100 million
Tier 9.....	$100 million to under $200 million
Tier 10	$200 million to under $500 million
Tier 11	$500 million to under $1 billion
Tier 12	$1 billion and over

The rate prescribed to each tier will be provided to the Dealer Member through the Fee Letter.

APPENDIX B: ADDITIONAL FEES PAYABLE BY DEALER MEMBERS

PART 1 – CORPORATION RULES AND BY-LAWS

The following summary is intended to be a guide only and is not a full reproduction of the applicable Corporation Rules and By-Laws. Reference should be made to the full text of the Corporation Rules and the By-laws.

Corporation Rules

Rule 2117(3)	Fee payable for approval or exemption required by Rule 2100.
Rule 2224(1)(i)	Responsibility for fees on amalgamation of two or more Dealer Members.
Rule 2227	Payment of Annual Membership fees by resigning, suspended, terminated or surrendering Dealer Member.
Rule 2505(5)	Fee payable for failure to have a qualified Chief Financial Officer (CFO) within 90 days of the cessation date of the previous CFO, or other Corporation specified dates.
Rule 2506(6)	Fee payable for failure to have a qualified Chief Compliance Officer (CCO) within 90 days of the cessation date of previous CCO, or other Corporation specified dates.
Rule 2552(5)	Fees payable for the failure of the Dealer Member to file within 10 business days after the end month a report specified by the Corporation on the conditions imposed on an Approved person under Rules 8200 or 9200.
Rule 2626(3)	Fees payable for exemption from the requirement to write or rewrite any required course, whole or in part, as per Rule 2600.
Rule 2755(1)	Penalties imposed for the failure of a continuing education participant to complete the continuing education requirements within a continuing education program cycle.
Rule 2803(1)(i)	Payment of National Registration Database (NRD) enrolment fee.
Rule 2806(1)	Annual NRD system fee set by the Corporation payable to the securities regulatory authority in the local jurisdiction.
Rule 2806(2)(i)	Fees payable for making any NRD submission under section 2803.

Rule 2806(2)(ii)	Fees payable for the failure of the Dealer member to file any notification within the time specified.
Rule 2806(3)	Exemption request fees payable for making an application for proficiency exemption of an Approved Person or applicant for approval of pursuant to Rule 2600.
Rule 3704	Administrative fee or other penalties imposed by the Corporation for failure to meet reporting requirements under Rules 3702 and 3703.
Rule 4133(1)	The Corporation may require a Dealer Member to pay reasonable costs and expenses incurred to administer the Dealer Member's early warning situation under Rule 4100.
Rule 4153	Fees payable for the failure of Dealer Member to file any document or information required under Part C of Rule 4100 despite grant of an extension to file such information by the Corporation.

By-Laws

Section 3.5(1)	In the case of Dealer Members, an application for membership shall be accompanied by such fees as the Corporation may require.
Section 3.5(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.
Section 3.5(11)(b)	If and when the application has been approved by the Board, and upon payment of the balance of the entrance and annual fees, the applicant shall become and be a Dealer Member.
Section 3.7	If two or more Members propose to amalgamate and continue as one Member, the continuing Member must comply with the payment of Member fees, if applicable.
Section 3.8	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.

PART 2 – FEES RELATED TO REGISTRATION MATTERS

The following summary is intended to be a guide only and is not a full reproduction of the applicable registration-related fees collected by the Corporation pursuant to delegation orders from the noted securities regulatory authorities. Reference should be made to the applicable instrumentsof the Canadian Securities Administrators (CSA).

Fee Type	**Collection Details**	**Authority**
Initial firm registration fees	The Corporation collects a portion of the CSA feein New Brunswick and Saskatchewan.	Delegation Orders / Revenue Sharing Agreements
Opening of a businesslocation	The Corporation collects a portion of the CSA feein New Brunswick and Saskatchewan.	Delegation Orders / Revenue Sharing Agreements
Annual fees pertaining tofirms, individuals and business locations	The Corporation collects a portion of the CSA feein New Brunswick and Saskatchewan.	Delegation Orders / Revenue Sharing Agreements
Initial, reactivation, additional jurisdiction, additional sponsoring firmsubmissions	The Corporation collects the CSA fee in Ontario and a portion of such fee in New Brunswick and Saskatchewan. The Corporation charges a fee in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec and Yukon.	Delegation Orders / Revenue Sharing Agreements Rule 2806(2)
Reinstatements	The Corporation collects a portion of the CSA feein New Brunswick and Saskatchewan. The Corporation charges a fee in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec and Yukon.	Delegation Orders / Revenue Sharing Agreements Rule 2806(2)

Fee Type	Collection Details	Authority
Change or surrender of individual categories	The Corporation collects a CSA fee in Ontario and a portion of such fee in New Brunswick and Saskatchewan. The Corporation charges a fee in Manitoba, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Yukon.	Delegation Orders / Revenue Sharing Agreements Rule 2806(2)
Notice of Termination	The Corporation charges a fee in Quebec.	Recognition Order / Assumed fee from the Bourse
File copies	The Corporation charges a fee for providing anindividual with a copy of their registration file.	Administrative practice

Currently (as of Fiscal Year 2023), the Corporation receives Registrations fees from Alberta on the basis of direct operating costs for Registration activities.

~~IIROC~~ INTERIM FEE MODEL GUIDELINES

APPLICABLE TO INVESTMENT DEALER MEMBERS AND MARKETPLACE MEMBERS

EFFECTIVE JANUARY 1, 2023

TABLE OF CONTENTS

INTRODUCTION

This Interim Fee Model is applicable to Investment Dealer Members and Marketplace Members of the Corporation. The Corporation is the corporation continuing from the amalgamation effective January 1, 2023 of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada.

DEALER MEMBER FEE MODEL

Applicants to become a member of ~~IIROC~~ the Corporation are required to pay an Entrance Fee as part of the application process. On becoming Dealer Members, applicants pay Annual Fees for each Fiscal Year. This Dealer Member Fee Model sets out certain details of ~~IIROC's~~ the Corporation's administration of fees payable where such details are not provided with the By-laws, ~~IIROC~~ Rules or elsewhere (including the provisions identified in Appendix B).

Entrance Fee

1. The Entrance Fee charged to each new Dealer Member shall be $25,000, payable as follows:

   (a) a non-refundable amount of $10,000 payable on acceptance of an application for membership as a Dealer Member for review by ~~IIROC~~the Corporation; and

   (b) $15,000 payable on approval of the application for membership as a Dealer Member by the Board.

   In accordance with section 3.5(3) of the By-laws, if the application for membership as a Dealer Member is not approved by the Board within six months from the date the application was accepted for review by ~~IIROC~~ the Corporation for any reason that cannot reasonably be attributed to ~~IIROC~~ the Corporation or its staff, the amount paid under Subsection 1(a) above is forfeited to ~~IIROC~~the Corporation.

2. Each application for membership as a Dealer Member that is approved by the Board shall be accompanied by a payment to the Restricted Fund equal to 0.5% of the applicant's expected initial capital calculated according to ~~IIROC~~ the Corporation's Form 1, payable together with the payment in Subsection 1(b).

Annual Fee

When establishing the Annual Fees payable by Dealer Members for a particular year, ~~IIROC~~ the Corporation determines what its net annual costs attributable to Dealer Member regulation are expected to be for that year. Such net annual costs are equal to ~~IIROC's~~ the Corporation's budgeted costs for that year less projected underwriting levies, proceeds from registration fee sharing arrangements with various securities regulatory authorities, continuing education

accreditation revenue, interest and other income. The Annual Fee payable by a DealerMember will be based on its pro-rata share of such costs as determined in accordance with the provisions set out below.

3. The Annual Fee for each Dealer Member shall be determined with reference to the following components:

   (a) Revenue Component;

   (b) Approved Person Fees Component; and

   (c) Minimum Dealer Regulation Fee Component.

   The Annual Fee shall be the sum of the Revenue Component calculated in accordance with Section 4 and the Approved Person Fees Component calculated in accordance with Section 5, unless such sum is less than the applicable Minimum Dealer Regulation Fee Component set out in Section 6, in which case the Annual Fee shall be the applicable Minimum Dealer Regulation Fee.

   The amount of the Annual Fee calculated in accordance with the foregoing paragraph shall be reduced pursuant to Section 7 if the applicant is approved for membership by the Board at any time after April 1 in any Fiscal Year.

4. ***Revenue Component.*** The Revenue Component of the Annual Fee shall be an amount equal to the product of the Total Revenue of the Dealer Member for the previous calendar year as reported to ~~IIROC~~ the Corporation and the Revenue Rate prescribed by the Board in its discretion for the applicable Revenue Component Tier set out in Appendix A. Revenue Rates will bereviewed and adjusted annually by the Board in its discretion.

5. ***Approved Person Fees Component.*** The Approved Person Fees Component of the Annual Fee shall be an amount equal to the product of the number of Approved Persons of the Dealer Member as at the last day of the previous Fiscal Year and $250.

6. ***Minimum Dealer Regulation Fee Component.*** If the sum of the Revenue Component and the Approved Person Fees Component of a Dealer Member is less than $~~22,500~~16,000, the Minimum Dealer Regulation Fee payable by that Dealer Member is $~~22,500~~16,000.

7. ***Annual Fee for New Members.*** If an applicant for membership is approved by the Board at any time:

   (a) between April 1 and September 29, both inclusive, the Annual Fee for the balance of the Fiscal Year shall be $15,000;

   (b) between September 30 and December 31, both inclusive, the Annual Fee for the balance of the Fiscal Year shall be $7,500; or

(c) between January 1 and March 31, both inclusive, the Annual Fee for the balance of the Fiscal Year shall be $3,750.

Payment of Annual Fee

8. ***Quarterly Payments.*** The Annual Fee shall be payable in quarterly instalments by the Dealer Member in each year. Notice of the Annual Fees and ~~amount of the first and second~~ quarterly payments shall be ~~mailed~~ communicated to each Dealer Member on or about the first ~~business day of July~~week of April. The first quarterly payment shall be made by each Dealer Member by the first business day of May. Each subsequent quarterly installment will be communicated at the beginning of the quarter, and payment shall be made by the first business day of the following month. ~~immediately upon receipt and the second quarterly payment shall be paid by each Dealer Member notlater than the first business day of August. Notice of the amount of the third and fourth quarterly payments shall be mailed to each Dealer Member on or about the first businessday of September and December, respectively. The third quarterly payment shall be paidin advance by each Dealer Member not later than the first business day of October and the final quarterly payment shall be paid in advance by each Dealer Member not later than the first business day of January.~~

9. ***Payment of Annual Fee on Acquisition of Dealer Member.*** Notwithstanding the foregoing, in the event that:

(a) an applicant for membership has acquired the whole or a substantial part of the business and assets of a Dealer Member or Members in good standing whose Annual Fee for the then current Fiscal Year has been paid in full and who is or are resigning from membership concurrently with the admission of the applicant to membership; and

(b) at least a majority in number of the partners of the applicant, in the case of a partnership, or at least a majority in number of the directors and at least a majority in number of the officers of the applicant, in the case of a corporation, are partners, or directors and officers, as the case may be, of the resigning Dealer Member or Members;

then the applicant, if the ~~applicable District Council~~Board so approves, shall be exempted frompayment of the Entrance Fee and from payment of the Annual Fee for the then current Fiscal Year. In no event including the foregoing circumstances shall there be a credit or refund of Annual Fees paid to date where one Dealer Member acquires all or any part ofthe shares, business or assets of another Dealer Member.

Underwriting Levies

10. ***Interpretation.*** In Sections 10, 11 and 12 the following terms have the following

meanings:

(a) "**Canadian Public Offering**" means a Distribution of securities of a corporation, partnership or a trust if a prospectus or similar offering document is required to be filed with any securities regulatory authority in Canada, other than a:

(i) Private Placement; or

(ii) Distribution of Government of Canada securities, Provincial Securities, Municipal Securities or Not-for-Profit securities;

(b) "**Distribution**" means a distribution of securities in Canada by way of Canadian Public Offering or Private Placement, or a distribution of Government of Canada Securities, Provincial Securities, Municipal Securities or Not-for-Profit Securities, whether underwritten on a firm (including bought deals) or best efforts basis by the Dealer Member, as principal or agent, and as a member of the underwriting or selling groups; provided no such distribution shall be a Distribution for the purposes of this definition if the securities are:

(i) Money market obligations with a term to maturity of one year or less, or greater than one year solely by reason of the term to maturity otherwise ending on a day that is not a business day;

(ii) Government of Canada, Provincial and Municipal Securities which are distributed by way of auction by or on behalf of the Government of Canada or a provincial or municipal government;

(iii) Rights to acquire securities issued to holders of previously distributed securities;

(iv) Securities, other than securities described in subsections 10 (c) to 10 (g), inclusive, in respect of which the Total Revenue to the underwriters for the offering of such securities is equal to 1% or less of the aggregate principal amount of the offering in the case of debt securities, or the maximum aggregate price at which the securities are offered in the case of any other securities;

(v) Debt securities in respect of which the aggregate principal amount is less than $1,000,000;

(vi) Any securities (other than debt securities) in respect of which the maximum aggregate offering price is less than $1,000,000; or

(vii) securities distributed in a block trade conducted on a Marketplace if no prospectus or similar offering document is filed with a securities regulatory authority in respect of the block trade;

(c) "**Government of Canada Securities**" means securities of, or guaranteed by, the Government of Canada;

(d) "**Municipal Securities**" means securities of, or guaranteed by, any municipal corporation in Canada;

(e) "**Not-for-Profit Securities**" means securities of any school or school board, hospital or other not-for-profit organization;

(f) "**Private Placement**" means a Distribution of securities of a corporation, partnership or trust if a prospectus or similar offering document is not required to be filed with any securities regulatory authority in Canada, provided that a Distribution of Government of Canada securities, Provincial Securities, Municipal Securities or Not-for-Profit Securities shall not be a private placement for the purposes of this definition;

(g) "**Provincial Securities**" means securities of, or guaranteed by, any province or territory of Canada;

(h) **"Levy Cap**" means, for any Distribution, an amount equal to 2.5% of the Total Revenue to a Dealer Member for its participation in that Distribution;

(i) "**Responsible Dealer**" means the Dealer Member, if any, which is responsible on behalf of more than one Dealer Member for the bookkeeping and accounting in a Distribution;

(j) "**Security**" means any property that is a "security" for the purposes of any securities legislation in Canada, and shall include, without limitation, warrants, debt-like derivatives, structured notes and asset-backed instruments, provided that the Board may from time to time determine whether any particular property is to be included or excluded from such definition, which determination shall be final and conclusive; and

(k) "**Total Revenue**" means, in respect of an offering, the aggregate of:

(i) any commission paid to the Dealer Member; and

(ii) any fee paid to the Dealer Member.

11. ***Levy.*** Each Dealer Member shall pay to ~~IIROC~~ the Corporation a levy as follows with respect to itsproportionate participation in any Distribution:

(a) For a Canadian Public Offering, in the case of debt securities, 1/100th of 1% of the aggregate principal amount of the offering or, in any other case 1/100th of 1% of the maximum aggregate price at which the securities are offered;

(b) For a Private Placement, in the case of debt securities, 1/200th of 1% of the aggregate principal amount of the offering or, in any other case, 1/200th of 1% of the maximum aggregate price at which the securities are offered;

(c) For a Distribution of Government of Canada securities, 1/300th of 1% of the aggregate principal amount of the offering;

(d) For a Distribution of Provincial Securities, in the case of debt securities, 1/200th of 1% of the aggregate principal amount of the offering or, in any other case, 1/200th of 1% of the maximum aggregate price at which the securities are offered;

(e) For a Distribution of Municipal Securities, in the case of debt securities, 1/300th of 1% of the aggregate principal amount of the offering or, in any other case, 1/300th of 1% of the maximum aggregate price at which the securities are offered; and

(f) For a Distribution of Not-for-Profit Securities, in the case of debt securities, 1/200th of 1% of the aggregate principal amount of the offering or, in any other case, 1/200th of 1% of the maximum aggregate price at which the securities are offered,

provided that the amount of the levy payable by a Dealer Member for a Distribution shall not exceed an amount equal to the Levy Cap for that Dealer Member for that Distribution.

Each levy shall be calculated in Canadian dollars or in the Canadian dollar equivalent of the currency of the Distribution as of the date on which the first closing of the transaction occurs. If the levy for an offering may be calculated according to more than one of paragraphs (a) to (f) above, the levy shall be calculated according to the paragraph which provides the highest levy.

All Distributions are deemed to take place entirely in Canada unless the Dealer Member provides evidence, acceptable to ~~IIROC~~ the Corporation in its sole discretion, of the number of securities offered outside Canada, in which case the levy will be calculated on the securitiesdistributed in Canada.

12. ***Responsible Dealers.*** Each Dealer Member or, if there is a Responsible Dealer in respect of a Distribution involving more than one Dealer Member, the Responsible Dealer shall:

(a) Complete a new levy form for submission with payment;

(b) Provide details of the Total Revenue for each Dealer Member, supported by third-party sources such as the Underwriting/Agency Agreement, Financial Post or SEDAR; if such details are not provided, the Levy Cap will not apply;

(c) Calculate the amount of the levy to be paid by each Dealer Member in respect of

the Distribution;

(d) Pay and, in the case of a Responsible Dealer, collect from the other Dealer Members and remit to ~~IIROC~~ the Corporation the amount of the levy within sixty (60) days of the date on which the first closing of the transaction occurs; and

(e) Deliver to ~~IIROC~~ the Corporation on or before the time of payment of the levy pursuant toparagraph (d) copies of any and all forms, notices and calculations relating to thesize or amount of the Distribution as are required to be filed with any securities regulatory authority or stock exchange in Canada in respect of the Distribution.

If there are two or more Responsible Dealers who have substantially equal obligations in respect of a Distribution, they shall each be responsible on a proportional basis for the collection and remission of the applicable levy; provided that if one of such Responsible Dealers is not a Dealer Member, the Responsible Dealer(s) which are Dealer Members shall collect and remit the levy on behalf of all Dealer Members.

If there is no Responsible Dealer in respect of a Distribution, or if the Responsible Dealer is not a Dealer Member, each Dealer Member shall complete a new levy form and remit its proportion of the levy.

13. ***Discretion of the Board.*** The Board may in its discretion impose the levy on an amount which is less than, in the case of debt securities, the aggregate principal amount of the offering and, in any other case, the maximum aggregate price at which the securities are offered and make any other variations in connection with the imposition of the levy as it deems necessary or desirable.

General

14. ***Assessment.*** Notwithstanding Sections 3 to 6, inclusive, the Board shall have power to make an assessment in any Fiscal Year upon each Dealer Member not to exceed 50% of the Annual Fee payable in such year by such Dealer Member. Each Dealer Member shall pay the amount so assessed upon it within thirty (30) days after receiving written notification thereof from the Secretary.

15. ***~~Late~~ Effect of Non-Payment of ~~Annual~~ Fees.***

(a) If the Annual Fee payable by a Dealer Member has not been paid:

(i) in the case of the first quarterly payment, by the ~~tenth~~ first business day of ~~July~~June;

(ii) in the case of the second quarterly payment, by the first business day of September;

(iii) in the case of the third quarterly payment, by the first business day of ~~November~~December; or

(iv) in the case of the fourth quarterly payment, by the first business day of ~~February~~ March in any year, or

(b) if the amount assessed upon any Dealer Member pursuant to Section 14 or Section 16 has not been paid within thirty (30) days after the date specified in~~Dealer Member has received~~ the written notification thereof from the Secretary,

the Secretary shall, by registered mail, request the Dealer Member to pay the same and draw the Dealer Member's attention to the provisions of this Section 15. If the entire amount owing by the Dealer Member has not been paid within thirty (30) days from the date the Secretary has mailed the request, the Secretary shall notify the Board to this effect and the Board may, in its discretion, terminate the membership of the Dealer Member in default. If the Board decides to terminate the membership of a Dealer Member pursuant to the provisions of this Section 15, the Secretary will be requested to notify the Dealer Member, by registered mail, of the decision of the Board. A former Dealer Member whose membership has been terminated pursuant to the provisions of this Section 15 shall cease to be entitled to exercise any of the rights and privileges of membership but shall remain liable to ~~IIROC~~the Corporation for all amounts due to ~~IIROC~~the Corporation from the formerDealer Member.

16. ***Extraordinary Costs and Expenses.*** The extraordinary costs and expenses of ~~IIROC~~ the Corporation incurred in connection with, but not limited to, items such as (i) the review and/or approval of a novel or unusual application for membership as a Dealer Member, (ii) the review and/or approval of any reorganization, take over or other substantial change in the business, structure or affairs of a Dealer Member, (iii) travel and accommodation outside Canada for staff to conduct compliance exams for a Dealer Member, or (iv) costs associated with compliance site visits conducted by staff for applicants as Dealer Members, may be assessed to the Dealer Member at the discretion of the Board.

17. ***Additional Fees Payable by Dealer Members.*** The foregoing Dealer Member Fee Model is not an exhaustive list of the fees payable by Dealer Members. Additional fees that are payable by Dealer Members in certain circumstances are contained in the ~~IIROC~~ Corporation Rules and in the By-laws. Appendix B contains a summary of where these additional feesmay be found and the nature of such fees. The summary is intended to be a guide only and is not a full reproduction of the applicable ~~IIROC~~Corporation Rules and/or By-laws. Reference should be made to the full text of the ~~IIROC~~ Corporation Rules and the By-laws.

EQUITY MARKET REGULATION FEE MODEL

The Equity Market Regulation Fee Model is applicable to Marketplaces that trade equity securities. Applicants for acceptance as Marketplace Members that are alternative trading systems are required to pay Entrance Fees for their Dealer Member application in addition to the Regulation Services Agreement Fee and an Information Technology Fee, which must be paid by all applicants for acceptance as Marketplace Members. On becoming Marketplace Members, Marketplace-Specific Costs may be payable in certain circumstances. Monthly Equity Market Regulation Fees consisting of Message Processing Fees and Trade Fees (subject to a Minimum Market Regulation Fee) are allocated to Marketplaces and are payable by Dealer Members participating in those Marketplaces. Administration Fees are allocated to Marketplace Members and Dealer Members.

Entrance and Set-Up Fees

18. ***Dealer Member Application Fees.*** For alternative trading systems, the process for acceptance as a Marketplace Member is concurrent with that to become a Dealer Member. The Entrance Fee described in Section 1 is payable by such applicants at the time an application is made.

19. ***Regulation Services Agreement Fee.***

    (a) The minimum fee for the drafting and negotiation of a Regulation Services Agreement between ~~IIROC~~ the Corporation and an applicant as a Marketplace Member is $25,000and is payable at the time of application.

    (b) If time cost spent by ~~IIROC~~ the Corporation staff on the drafting and negotiation of the RegulationServices Agreement is greater than $25,000, the difference will be invoiced by ~~IIROC~~ the Corporation and is payable by the Marketplace Member prior to the Marketplacecommencing operations as a Marketplace Member.

    (c) ~~IIROC~~ The Corporation may, in its discretion, charge the fees indicated in paragraphs (a) and (b) above in connection with the drafting and negotiation of a revised or amended Regulation Services Agreement in circumstances where there has been a materialchange in the activities of a Marketplace Member.

20. ***Information Technology Fee.*** The Information Technology Fee charged to each applicant as a Marketplace Member is $66,500 payable as follows:

    (a) a non-refundable deposit of $10,000 payable at the time of application for membership as a Marketplace Member; and

(b) the balance of $56,500 payable when the applicant is authorized to proceed with the testing and development of Surveillance– System functionality for the marketplace.

If time cost spent by the ~~IIROC~~ Corporation's staff on the connectivity and testing process for the marketplace is greater than $66,500, the difference will be invoiced by ~~IIROC~~ the Corporation and is payable by the Marketplace Member upon launch of the marketplace.

All costs of information technology development, including any third-party costs, for a new marketplace are borne by the Marketplace Member.

21. ***Marketplace-Specific Costs.*** Each Marketplace Member will pay to ~~IIROC~~ the Corporation (i) incrementalcosts incurred by ~~IIROC~~ the Corporation to perform additional work to monitor a Marketplace as a result of unique marketplace features, and (ii) incremental costs incurred by the Corporation ~~IIROC~~ as a result ofa Marketplace's failure to meet a~~n~~ Corporation ~~IIROC~~ regulatory feed standard, testing window or project deadline, including, without limitation, modifications to the Corporation~~IIROC~~'s systems, additional staffing or remedial work. Marketplace-Specific Costs will be determined withrespect to each Marketplace Member on a monthly basis and shall be invoiced inaccordance with Subsection 26(b).

Monthly Equity Market Regulation Fees

When determining the Monthly Equity Market Regulation Fees allocated to a Marketplace Member for a particular month, the Corporation ~~IIROC~~ first determines its total market regulation costs and thendeducts the timely disclosure fees, interest and other income received by the Corporation~~IIROC~~. The net costs are then allocated to each Marketplace Member on a pro-rata basis and are paid by that Marketplace's participating organizations, members or subscribers, as the case may be, that areDealer Members as identified by the Marketplace. The allocation is based on the number of messages sent and trades executed by each Dealer Member on each Marketplace, all in accordance with the provisions set out below.

22. ***Message Processing Fee.***

(a) Each Marketplace shall be allocated a fee based on the Marketplace's share of the total number of messages processed by ~~IIROC's~~ the Corporation's surveillance system during a particular month. The Message Processing Fee is determined with reference to the total information technology costs of the surveillance system.

(b) The Message Processing Fee shall be paid by Dealer Members based on each Dealer Member's pro-rata share of the messages sent through each Marketplace. The total Message Processing Fee and the applicable unit cost per message shall be disclosed in the monthly invoice delivered to Dealer Members in accordance with Subsection 26(a).

23. ***Trade Fee.***

(a) Each Marketplace shall be allocated a fee based on a particular Marketplace's share of the total number of trades completed during a particular month. The Trade Fee is determined with reference to the net market regulation costs after deduction of the information technology costs of the surveillance system.

(b) The Trade Fee shall be paid by Dealer Members based on each Dealer Member's pro-rata share of the trades made through each Marketplace. The total Trade Fee shall be specified in the monthly invoice delivered to Dealer Members in accordance with Subsection 26(a).

(c) The number of trades executed by a Qualified Market Maker acting in furtherance of its marketplace trading obligations on the listing exchange shall be discounted by 70% for the purposes of calculating the Trade Fee for such Marketplace. The number of trades on the other side of any trade involving a market maker in its stock of responsibility will be included in the calculation of the overall total number of trades. For clarity, the discount will not be applied to trades for securities that are not listed on the listing exchange that has entered into the trading obligations agreement with the Qualified Market Maker.

24. ***Minimum Equity Market Regulation Fee.***

(a) If the aggregate of the Message Processing Fee and the Trade Fee allocated to a Marketplace Member is less than $4,800 in a particular month, such Marketplace Member shall be allocated the Minimum Equity Market Regulation Fee of $4,800, consisting of $1,200 allocated to messages and $3,600 allocated to trades.

(b) If applicable, the Minimum Equity Market Regulation Fee shall be paid by Dealer Members based on each Dealer Member's pro-rata share of the messages sent and the trades made through a Marketplace subject to the Minimum Equity Market Regulation Fee. The portion of the Minimum Equity Market Regulation Fee, if any, payable by a Dealer Member shall be specified in the monthly invoice delivered to the Dealer Member in accordance with Subsection 26(a). If a Marketplace Member chooses to pay the difference between the Minimum Equity Market Regulation Fee and the aggregate of the Message Processing Fee and the Trade Fee allocated to the Marketplace Member then Dealer Members shall only be responsible for paying the latter.

(c) If there are no messages processed or trades completed during a particularmonth, the Marketplace Member shall be required to pay the Minimum Equity Market Regulation Fee directly.

25. ***Administration Fee.***

(a) A fee of $400 shall be charged to each Dealer Member and invoiced in accordance with Subsection 26(a) each month for the provision of detailed billing information or other information related to market regulation fees requested by the Dealer Member.

(b) An Administration Fee of $500 shall be charged to each Marketplace Member and invoiced in accordance with Subsection 26(b) each month for the administration of the invoicing of the fees described in this Equity Market Regulation Fee Model to Dealer Members on behalf of the Marketplace Member.

Payment of Monthly Equity Market Regulation Fees

26. ***Monthly Invoices.***

(a) Dealer Members: Dealer Members shall be invoiced on a monthly basis in arrears within the first ten (10) days of any month for the aggregate of the Message Processing Fee and the Trade Fee, or the Minimum Equity Market Regulation Fee, as applicable, and the Administration Fee charged to Dealer Members. Such invoices are due and payable immediately upon receipt.

(b) Marketplace Members: Marketplace Members shall be invoiced on a monthly basis in arrears within the first ten (10) days of any month for the aggregate of any Marketplace-Specific costs incurred during a particular month as contemplated in Section 21, the Administration Fee charged to Marketplace Members and any amount invoiced to a Marketplace Member under Subsection 24(b).

~~(c) For the initial months of the fiscal year, Dealer Members will be charged based on IIROC's previous year's budget. Once the budget and fees are finalized for the year, monthly invoices will be adjusted prospectively to reflect the budget of the remaining months of the year.~~

DEBT MARKET REGULATION FEE MODEL

Monthly Debt Market Regulation Fees

When determining the Monthly Debt Market Regulation Fees allocated to a Dealer Member for a particular month, ~~IIROC~~ the Corporation first determines its total debt market regulation costs. These costs arethen allocated to each Dealer Member on a pro-rata basis and are paid by those Dealer Membersas identified based on the number of Non-Repo Debt Transactions and Repo Debt Transactions submitted by each Dealer Member, all in accordance with the provisions set out below.

27. ***Non-Repo Debt Transaction Fee.***

(a) Each Dealer Member shall be allocated a fee, based on their pro-rata share of the total number of Non-Repo Debt Transactions received and processed by ~~IIROC's~~ the Corporation's debt surveillance system during a particular month. The total Non-Repo Debt Transaction Fee and the applicable unit cost per transaction shall be disclosed in the monthly invoice delivered to Dealer Members in accordance with Section 29.

28. ***Repo Debt Transaction Fee.***

(a) Each Dealer Member shall be allocated a fee, based on their pro-rata share of the total number of Repo Debt Transactions received and processed by ~~IIROC's~~ the Corporation's debt surveillance system during a particular month. The total Repo Debt Transaction Fee and the applicable unit cost per transaction shall be disclosed in the monthlyinvoice delivered to Dealer Members in accordance with Section 29.

(b) The Repo Debt Transaction Fee will be reduced by cost recoveries received from the Bank of Canada.

Payment of Monthly Debt Market Regulation Fees

29. ***Monthly Invoices.*** Dealer Members shall be invoiced on a monthly basis in arrears within the first ten (10) days of any month for the aggregate of the Non-Repo Debt Transaction Fee and the Repo Debt Transaction Fee, as applicable. Such invoices are due and payable immediately upon receipt.

Late Filing Fee

30. ***Late Filing Fee.*** Dealer Members may be charged a late filing fee, which will be based on the additional effort required by ~~IIROC~~ the Corporation to input the late data, make corrections and perform appropriate surveillance.

DEBT INFORMATION PROCESSOR FEE MODEL

Monthly Debt Information Processor Fees

When determining the Monthly Debt Information Processor Fees allocated to a Dealer Member for a particular month, the Corporation~~IIROC~~ first determines its total debt information processor costs. These costs are then allocated to each Dealer Member on a pro-rata basis and are paid by those DealerMembers as identified based on the number of Debt Transactions submitted by each Dealer Member, all in accordance with the provisions set out below.

31. ***Debt Transaction Fee.*** Each Dealer Member shall be allocated a fee, based on their pro-rata share of the total number of Debt Transactions received and processed by the Corporation~~IIROC~~'s debt information processor system during a particular month. The total Debt TransactionFee and the applicable unit cost per transaction shall be disclosed in the monthly invoicedelivered to Dealer Members in accordance with Section 32.

Payment of Monthly Debt Information Processor Fees

32. ***Monthly Invoices.*** Dealer Members shall be invoiced on a monthly basis in arrears within the first ten (10) days of any month for the Debt Information Processor Fees. Such invoices are due and payable immediately upon receipt.

GENERAL PROVISIONS

The provisions set out below are of general application to these Fee Model Guidelines.

33. ***Interest.*** Any amount due and owing to the Corporation~~IIROC~~ pursuant to these Fee Model Guidelines bya Dealer Member shall bear interest at a rate per annum, for any month, of one percent above the Canadian Chartered Bank prime lending rate at the end of each preceding month (calculated daily on the basis of a 365-day year, and payable and compounded monthly) from the date the amount is first due until paid, with interest on arrears calculated and payable in the same manner.

34. ***Change in Fees.*** Any fees specified in these Fee Model Guidelines may be changed on not less than sixty (60) days' notice from the Corporation~~IIROC~~.

35. ***Applicable Taxes.*** Any fees specified in these Fee Model Guidelines shall require the payment of any taxes applicable to such fees in addition to the specified amounts.

INTERPRETATION

The capitalized terms used in these Fee Model Guidelines have the meanings given to such terms in the ~~IIROC~~Corporation Rules and By-laws, unless otherwise defined in these Fee Model Guidelines. The following terms have the following meanings:

"**Administration Fee**" means the administration fees payable by Dealer Members and Marketplace Members in accordance with Section 25.

"**Annual Fee**" means the annual fee payable by Dealer Members determined with reference to the components set out in Section 3 and calculated in accordance with the provisions of these Fee Model Guidelines.

"**Approved Person**" means an individual in respect of a Dealer Member who is required to be approved by ~~IIROC~~ the Corporation in one or more of its approval or registration categories in accordance with the ~~IIROC~~ Corporation Rules. For purposes of this Interim Fee Model, "Approved Person" shall exclude an individual that is a Registered Representative dealing in mutual funds only who is an employee of a firm registered as both an investment dealer and a mutual fund dealer.

"**Approved Person Fees Component**" means the levy payable by each Dealer Member determined in accordance with Section 5.

"**BCC**" means the Business Conduct Compliance department of ~~IIROC~~the Corporation.

"Corporation Rule" means that set out in the Corporation Investment Dealer and Partially Consolidated Rules.

"Dealer Member" has the same meaning as set out in General By-law No. 1, section 1.1, except, for the purposes of this Interim Fee Model, Mutual Fund Dealer Members are to be excluded.

"Debt Transactions" means, for the purpose of the Monthly Debt Information Processor Fees, the aggregate of Repo Debt Transactions and Non-Repo Debt Transactions submitted by a Dealer Member.

"**Entrance Fee**" means the initial fee payable by an applicant for membership in ~~IIROC~~ the Corporation as a DealerMember as specified in Section 1.

"**FINOPS**" means the Financial and Operations Compliance department of ~~IIROC~~the Corporation.

"**Fiscal Year**" means the fiscal year of ~~IIROC~~ the Corporation ending on the last day of March in each year.

"**Information Technology Fee**" means the fee payable by an applicant as a Marketplace Member in accordance with Section 20.

"**Marketplace-Specific Costs**" means the incremental costs payable by a Marketplace Member in accordance with Section 21.

"**Message Processing Fee**" means the fee allocated to a Marketplace each month determined in accordance with Section 22.

"**Minimum Dealer Regulation Fee Component**" means the minimum fee payable by a Dealer Member in each Fiscal Year determined in accordance with Section 6.

"**Minimum Equity Market Regulation Fee**" means the minimum fee allocated to a Marketplace Member in each month determined in accordance with Section 24.

"**Monthly Debt Information Processor Fees**" means the monthly fees allocated to Dealer Members in accordance with Section 31.

"**Monthly Debt Market Regulation Fees**" means the monthly fees allocated to Dealer Members in accordance with Sections 27 to 28, inclusive.

"**Monthly Equity Market Regulation Fees**" means the monthly fees allocated to Marketplace Members in accordance with Sections 22 to 25, inclusive.

"**Non-Repo Debt Transaction Fee**" means the fee allocated to a Dealer Member each month determined in accordance with Section 27.

"**Non-Repo Debt Transactions**" means transactions in a Debt Security that are subject to reporting requirements under ~~IIROC~~ the Corporation Rule 7200: Transaction Reporting for Debt Securities except Repo Debt Transactions, in relation to that portion of the monthly fees allocated to Dealer Members in accordance with Section 27.

"Qualified Market Maker" means a person or company that has an obligation with a listing exchange to:

- Maintain a two-sided market for a particular security listed on the listing exchange on a continuous or reasonably continuous basis, and
- Report suspicious order and/or trade activity to ~~IIROC~~the Corporation.

Provided the listing exchange has adequate policies and procedures to reasonably ensure continued satisfactory performance of these requirements.

"**Regulation Services Agreement Fee**" means the fee payable by a Marketplace Member for the negotiation of a Regulation Services Agreement in accordance with Section 19.

"Repo Debt Transaction Fee" means the fee allocated to a Dealer Member each month determined in accordance with Section 28.

"**Repo Debt Transactions**" means transactions that involve the simultaneous sale and future repurchase, or simultaneous purchase and future sale ("Reverse Repo"), of any Debt Securities, including transactions arranged as buy/sell-backs and sell/buy-backs, as prescribed in ~~IIROC~~the Corporation ~~-~~Rule~~-~~ 7200: Transaction Reporting for Debt Securities, in relation to that portion monthly fees allocated to Dealer Members in accordance with Section 28.

"**Restricted Fund**" means ~~fine and settlement monies~~monetary sanctions received by ~~IIROC~~the Corporation.

"**Revenue Component**" means the portion of the Annual Fee determined in accordance with Section 4.

"**Revenue Component Tier**" means the tiers of revenue set out in Appendix A used to calculate the Revenue Component.

"**Revenue Rate**" means the rate prescribed annually by the Board for a particular Revenue Component Tier set out in Appendix A.

"**Total Revenue**" means the amount reported as "Total Revenue" in ~~IIROC~~ the Monthly Financial Report Form 1, Statement E, as adjusted for ~~IIROC~~ approved items that are not in the normal course of business. For purposes of this Interim Fee Model, where a member firm is registered as both an investment dealer and a mutual fund dealer, "Total Revenue" shall exclude revenue generated by the mutual fund business division and/or revenue generated from an Approved Person that is a Registered Representative dealing in mutual funds only.

"**Trade Fee**" means the fee allocated to a Marketplace each month determined in accordance with Section 23.

APPENDIX A
REVENUE COMPONENT TIERS

Tier	Revenues for the Previous Calendar Year
Tier 1.....	Under $500,000
Tier 2.....	$500,000 to under $1 million
Tier 3.....	$1 million to under $3 million
Tier 4.....	$3 million to under $5 million
Tier 5.....	$5 million to under $10 million
Tier 6.....	$10 million to under $25 million
Tier 7.....	$25 million to under $50 million
Tier 8.....	$50 million to under $100 million
Tier 9.....	$100 million to under $200 million
Tier 10	$200 million to under $500 million
Tier 11	$500 million to under $1 billion
Tier 12	$1 billion and over

The rate prescribed to each tier will be provided to the Dealer Member through the Fee Letter.

APPENDIX B: ADDITIONAL FEES PAYABLE BY DEALER MEMBERS

PART 1 – ~~IIROC~~ CORPORATION RULES AND BY-LAWS

The following summary is intended to be a guide only and is not a full reproduction of the applicable ~~IIROC~~ Corporation Rules and By-Laws. Reference should be made to the full text of the ~~IIROC~~ Corporation Rules and the By-laws.

~~IIROC~~ Corporation Rules

Rule 2117(3)	Fee payable for approval or exemption required by Rule 2100.
Rule 2224(1)(i)	Responsibility for fees on amalgamation of two or more Dealer Members.
Rule 2227	Payment of Annual Membership fees by resigning, suspended, terminated or surrendering Dealer Member.
Rule 2505(5)	Fee payable for failure to have a qualified Chief Financial Officer (CFO) within 90 days of the cessation date of the previous CFO, or other ~~IIROC~~ Corporation specified dates.
Rule 2506(6)	Fee payable for failure to have a qualified Chief Compliance Officer (CCO) within 90 days of the cessation date of previous CCO, or other ~~IIROC~~ Corporation specified dates.
Rule 2552(5)	Fees payable for the failure of the Dealer Member to file within 10 business days after the end month a report specified by ~~IIROC~~ the Corporation on the ~~—~~conditions imposed on an Approved person under Rules 8200 or 9200.
Rule 2626(3)	Fees payable for exemption from the requirement to write or rewrite any required course, whole or in part, as per Rule 2600.
Rule 2755(1)	Penalties imposed for the failure of a continuing education participant to complete the continuing education requirements within a continuing education program cycle.
Rule 2803(1)(i)	Payment of National Registration Database (NRD) enrolment fee.
Rule 2806(1)	Annual NRD system fee set by ~~IIROC~~ the Corporation payable to the securities regulatory authority in the local jurisdiction.
Rule 2806(2)(i)	Fees payable for making any NRD submission under section 2803.

Rule 2806(2)(ii)	Fees payable for the failure of the Dealer member to file any notification within the time specified.
Rule 2806(3)	Exemption request fees payable for making an application for proficiency exemption of an Approved Person or ~~-~~applicant for approval of pursuant to ~~IIROC's~~ Rule 2600.
Rule 3704	Administrative fee or other penalties imposed by the Corporation~~IIROC~~ for failure to meet reporting requirements under Rules 3702 and 3703.
Rule 4133(1)	The Corporation~~IIROC~~ may require a Dealer Member to pay reasonable costs and expenses incurred to administer the Dealer Member's early warning situation under Rule 4100.
Rule 4153	Fees payable for the failure of Dealer Member to file any document or information required under Part C of Rule 4100 despite grant of an extension to file such information by the Corporation~~IIROC~~.

By-Laws

Section 3.5(1)	In the case of Dealer Members, an application for membership shall be accompanied by such fees as ~~IIROC and the applicable District Council~~the Corporation may require.
Section 3.5(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.
Section 3.5(11~~2~~)(b)	If and when the application has been approved by the Board, and upon payment of the balance of the entrance and annual fees, the applicant shall become and be a Dealer Member.
Section 3.7	If two or more Members propose to amalgamate and continue as one Member, the continuing Member must comply with the payment of Member fees, if applicable.
Section 3.8	A Dealer Member resigning from ~~IIROC~~ the Corporation shall make full payment of its annual fee, if applicable, for the financial year in which its resignation becomes effective.

PART 2 – FEES RELATED TO REGISTRATION MATTERS

The following summary is intended to be a guide only and is not a full reproduction of the applicable registration-related fees collected by the Corporation~~IIROC~~ pursuant to delegation orders from the noted securities regulatory authorities. Reference should be made to the applicable instrumentsof the Canadian Securities Administrators (CSA).

Fee Type	Collection Details	Authority
Initial firm registration fees	~~IIROC~~ The Corporation collects a portion of the CSA feein New Brunswick and Saskatchewan.	Delegation Orders / Revenue Sharing Agreements
Opening of a businesslocation	The Corporation ~~IIROC~~ collects a portion of the CSA feein New Brunswick and Saskatchewan.	Delegation Orders / Revenue Sharing Agreements
Annual fees pertaining tofirms, individuals and business locations	The Corporation ~~IIROC~~ collects a portion of the CSA feein New Brunswick and Saskatchewan.	Delegation Orders / Revenue Sharing Agreements
Initial, reactivation, additional jurisdiction, additional sponsoring firmsubmissions	The Corporation ~~IIROC~~ collects the CSA fee in Ontario and a portion of such fee in New Brunswick and Saskatchewan. The Corporation ~~IIROC~~ charges a fee in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec and Yukon.	Delegation Orders / Revenue Sharing Agreements ~~IIROC~~ Rule 2806(2)
Reinstatements	The Corporation ~~IIROC~~ collects a portion of the CSA feein New Brunswick and Saskatchewan. The Corporation ~~IIROC~~ charges a fee in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Quebec and Yukon.	Delegation Orders / Revenue Sharing Agreements ~~IIROC~~ Rule 2806(2)

Fee Type	Collection Details	Authority
Change or surrender of individual categories	The Corporation ~~IIROC~~ collects a CSA fee in Ontario and a portion of such fee in New Brunswick and Saskatchewan. The Corporation ~~IIROC~~ charges a fee in Manitoba, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Nunavut, Prince Edward Island, Quebec and Yukon.	Delegation Orders / Revenue Sharing Agreements ~~IIROC~~ Rule 2806(2)
Notice of Termination	The Corporation ~~IIROC~~ charges a fee in Quebec.	Recognition Order / Assumed fee from the Bourse
File copies	The Corporation ~~IIROC~~ charges a fee for providing anindividual with a copy of their registration file.	Administrative practice

Currently (as of Fiscal Year 202~~1~~3), the Corporation~~IIROC~~ receives Registrations fees from Alberta on the basis of direct operating costs for Registration activities.

This page intentionally left blank

SCHEDULE 4

TERMS OF REFERENCE FOR THE NEW SRO INVESTOR ADVISORY PANEL

Schedule 4 – Terms of Reference for the New SRO Investor Advisory Panel, clean and blacklined, is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Schedule.

New SRO Investor Advisory Panel / Terms of Reference

Article 1 – Mandate

The New SRO Investor Advisory Panel (**New SRO IAP**) is an independent, voluntary, advisory panel to New SRO staff. The mandate of the New SRO 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 New SRO 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 New SRO 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 New SRO 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 New SRO IAP shall endeavour to maintain consistent dialogue with New SRO staff carrying out key operational and regulatory functions in order to further inform New SRO IAP member deliberations and enhance the advice the New SRO IAP provides to the New SRO.

The New SRO IAP may raise current and emerging policy issues to New SRO that it identifies based on consultations or New SRO 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 New SRO 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. New SRO IAP 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 the New SRO IAP members will be made by the New SRO's Governance committee[1].

In selecting the New SRO IAP membership, consideration will be given to the candidate's relevant expertise (as discussed below) and the desire to achieve a New SRO IAP 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 a New SRO IAP member in their application for New SRO IAP membership, consistent with the requirements of Article 4.4.

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

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

2.3 Experience. The New SRO IAP membership will consist of individuals with experience on matters of investor protection, concerns, issues or rights. The New SRO IAP 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
- Government public policy
- Financial services
- Academics with a focus on securities regulation, consumer protection, investor rights or behavioural research

2.4 Terms. New SRO IAP members are generally appointed for two-year terms and cannot serve more than two consecutive terms. Some New SRO IAP members may be appointed to the inaugural New SRO IAP for a three-year term in order to stagger the turnover in New SRO IAP composition in subsequent years, to ensure effective functioning of the New SRO IAP. If a New SRO IAP member resigns before the end of their term, a new individual 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 New SRO IAP or continuing to participate as a member of the New SRO IAP.

2.6 Chair. Members of the New SRO IAP will select a Chair (**New SRO IAP Chair**) whose responsibilities will include:

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

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

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

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

Article 3 – Meetings

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

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

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

Article 4 – IAP Responsibilities

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

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

4.3 Confidentiality. New SRO IAP members must maintain the confidentiality of information provided to the New SRO 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. New SRO IAP members shall not use, directly or indirectly, any information obtained or discovered as a result of their work on the New SRO IAP, for anything other than the New SRO IAP's activities.

4.4 Conflicts of Interest. New SRO 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 a New SRO IAP member and the responsibilities of that individual as a New SRO IAP member, the New SRO IAP 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.

New SRO 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 New SRO IAP.

Article 5 – Reporting and Accountability

5.1 Meetings with and reporting to the New SRO Board. The New SRO IAP Chair must meet with the New SRO Board at least twice a year in addition to meeting with the New SRO executives. The New SRO 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 New SRO 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 New SRO IAP and the New SRO staff and serves as the Secretary to the New SRO IAP. The New SRO will respond to all formal communications from the New SRO IAP.

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

New SRO Investor Advisory Panel ~~/~~ / Terms of Reference

Article 1 – Mandate

The New SRO Investor Advisory Panel (**New SRO IAP**) is an independent, voluntary, advisory panel to New SRO staff. The mandate of the New SRO 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 New SRO 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 New SRO 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 New SRO 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 New SRO IAP shall endeavour to maintain consistent dialogue with New SRO staff carrying out key operational and regulatory functions in order to further inform New SRO IAP member deliberations and enhance the advice the New SRO IAP provides to the New SRO.

The New SRO IAP may raise current and emerging policy issues to New SRO that it identifies based on consultations or New SRO 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 New SRO 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~~

2.1 Selection. ~~Members~~New SRO IAP 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 the New SRO IAP members will be made by the New SRO's Governance committee[1].

In selecting the New SRO IAP membership, consideration will be given to the candidate's relevant expertise (as discussed below) and the desire to achieve a New SRO IAP 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~~a New SRO IAP member in their application for New SRO IAP membership, consistent with the requirements of Article 4.4.

~~2.2~~

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

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

~~2.3~~

2.3 Experience. ~~Membership~~The New SRO IAP membership will consist of individuals with experience on matters of investor protection, concerns, issues or rights. ~~Membership~~The New SRO IAP 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
- Government public policy
- Financial services
- Academics with a focus on securities regulation, consumer protection, investor rights or behavioural research

~~2.4~~

~~2.3~~**2.4 Terms.** ~~Members~~New SRO IAP members are generally appointed for two-year terms and cannot serve more than two consecutive terms. Some ~~Members~~New SRO IAP members may be appointed to the inaugural New SRO IAP for a three-year term in order to stagger the turnover in New SRO IAP composition in subsequent years, to ensure effective functioning of the New SRO IAP. If a ~~Member~~New SRO IAP member resigns before the end of their term, a new ~~Member~~individual may be selected pursuant to the appointment process set out above.

~~2.5~~

~~2.4~~**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 New SRO IAP or continuing to participate as a member of the New SRO IAP.~~–~~

~~2.6~~

~~2.5~~**2.6 Chair.** Members of the New SRO IAP will select a Chair (**New SRO IAP Chair**) whose responsibilities will include:

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

~~2.7~~

~~2.6~~**2.7 Vice-Chair.** Members of the New SRO IAP will select a Vice-Chair (**New SRO IAP Vice-Chair**) to act as New SRO IAP Chair in case of the New SRO IAP Chair's absence. In the event both the New SRO IAP Chair and New SRO IAP Vice-Chair are absent from a meeting, the New SRO IAP members present shall choose one of ~~their~~the other New SRO IAP members to chair the meeting.~~-~~

~~2.8~~

~~2.7~~**2.8 Removal of Members.** If ~~an~~a New SRO IAP member is no longer able to meet the specified responsibilities, that New SRO IAP member shall so advise the New SRO and shall resign from the New SRO

IAP. If the New SRO IAP forms the view that a New SRO IAP member is not meeting the specified responsibilities or has breached expected ethical and professional standards of conduct, the New SRO IAP shall be free to remove the New SRO IAP member from the New SRO IAP.

~~2.9~~

~~2.8~~2.9 **Honorarium.** Members of the New SRO IAP will receive an honorarium for their participation on the New SRO IAP.

Article 3 – Meetings

~~3.1~~

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

~~3.2~~

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

~~3.3~~

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

Article 4 – IAP Responsibilities

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

~~4.2~~

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

~~4.3~~

4.3 Confidentiality. ~~Members~~New SRO IAP members must maintain the confidentiality of information provided to the New SRO 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~~New SRO IAP members shall not use, directly or indirectly, any information obtained or discovered as a result of their work on the New SRO IAP, for anything other than the New SRO IAP's activities.

~~4.4~~

4.4 Conflicts of Interest. New SRO 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~~a New SRO IAP member and the responsibilities of that individual as ~~an~~a New SRO IAP member, the New SRO IAP 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.

New SRO 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~~New SRO IAP.

Article 5 – Reporting and Accountability

~~5.1~~

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

~~5.2~~

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

~~6.2~~

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

APPENDIX D

SUMMARY OF AND RESPONSE TO PUBLIC COMMENTS

Summary of Comments and Responses Relating to CSA Staff Notice and Request for Comment 25-304 – *Application for Recognition of New Self-Regulatory Organization*

Introduction

In response to the publication of the New SRO application for recognition, on May 12, 2022, submissions from 37 commenters were received.

The public comments demonstrated the continued overall support, from both industry stakeholders and investor advocates, for the New SRO framework adopted by the CSA as outlined in the CSA Position Paper 25-404 *New Self-Regulatory Organization Framework* (**CSA Position Paper**). In developing that framework, the CSA has aimed for the right balance between ensuring strong regulation, oversight and investor protection and avoiding unnecessary burden to the industry. The New SRO framework will provide for enhanced governance of the New SRO that prioritizes public interest and strengthened CSA oversight; at the same time, it will provide a strong industry voice through the New SRO Board of Directors (**New SRO Board**) and standing or advisory committees, and during consultations on policy initiatives.

The CSA and SROs (IIROC and the MFDA) thank all the stakeholders for participating and providing meaningful commentary, which is summarized and responded to below. Staff from the CSA, IIROC and the MFDA worked collaboratively to produce the summaries and responses, which are categorized by common themes for ease of reference.

This summary contains the following sections:

1. General comments
2. Enhancements to governance
3. CSA oversight
4. Investor compensation/enforcement program
5. Investor protection and complaint handling
6. Comments related to Québec harmonization
7. Phase 2 of the New SRO framework
8. Interim Rules
9. Fees and integration costs
10. New SRO Investor Advisory Panel
11. Other comments

1. General comments

Commenters were overall very supportive of the creation of the New SRO, with most commentors stating that the New SRO will enhance investor protection and public confidence.

A number of the commenters expressed some degree of dissatisfaction with the length of the comment period, indicating that:

- the commenter only had time to focus on a handful of high-level issues;
- the consultation period was not sufficient for the scope of the material; and
- the industry should be provided with a meaningful comment period on proposed the New SRO rules.

In determining the duration of the public comment period, the CSA considered the volume and complexity of materials, and the prior stakeholder consultations which informed the decisions made by the CSA. Such consultations included CSA Consultation Paper 25-402 *Consultation on the Self-Regulatory Organization Framework* and CSA Position Paper generating 67 and 31 comment letters, respectively, and the informal consultations which preceded those papers. Relying on these previous publications as benchmarks, the CSA determined that the comment period was a sufficient amount of time for the public to review and provide feedback on the materials that implement solutions from the CSA Position Paper. Additionally, in the near future, there will be opportunities to comment on the consolidated and harmonized rule book.

An industry stakeholder emphasized the main priority for implementation of the New SRO should be the allotment of reasonable and defined timelines that take into account potential operational impacts on the industry. All timelines related to the implementation of the New SRO will be given thorough consideration during the post-amalgamation phase of the process.

2. Enhancements to governance

General

Overall, the commenters were supportive of the proposed enhanced governance structure of the New SRO, which includes:

- emphasis on the New SRO's public interest mandate;
- majority of independent directors on the New SRO Board and independent Chair;
- clear definition of independent director;
- removal of the regulatory decision-making mandate from District Councils

An industry stakeholder commented that the New SRO mandate should be expanded to include capital growth, minimizing regulatory inefficiencies and proportionate regulation. In addition, the New SRO should be required to conduct and produce a meaningful needs analysis and cost benefit analysis for its proposed or amended rules, policies and guidance, and a reference to a needs analysis and cost benefit analysis should also be included in its mandate.

The CSA notes that the New SRO mandate was developed to reflect collectively the mandates of all provincial and territorial regulators. With respect to the capital growth, this requirement is not consistently mandated across Canada. As for the minimizing regulatory inefficiencies and proportionate regulation, the recognition criteria in the New SRO Recognition Order include such requirements. Regarding the cost benefit analysis, an economic impact analysis is required for rule amendments as per the Joint Rule Review Protocol (JRRP) in the MOU among the recognizing regulators regarding oversight of the New SRO (New SRO MOU).

New SRO Board composition, exchange representation

Some industry stakeholders expressed the view that better representation from the industry is required in order to ensure direct representation across business models and many types and sizes of SRO member firms. At the same time, some investor advocates called for even more independent directors with no prior relationship with the financial services industry. Some expressed the preference for having all New SRO directors appointed by the CSA and the CSA having veto powers over all key appointments, including the Chair.

With respect to the number of directors on the New SRO Board, some industry commenters suggested that better flexibility should be allowed by setting a minimum and maximum number of Directors, instead of a fixed number of 15. One industry stakeholder submitted that the New SRO Board consisting of 15 directors is too large and the number between seven (7) and 11 would be more appropriate. It was noted that 15 directors would be more than the number of directors on the boards of large Canadian banks, which are no less complex than the New SRO.

The CSA is of the view that the composition of the New SRO Board, as established in May of 2022, strikes the appropriate balance between the industry's desire for meaningful participation in its self-regulation and the need for a strong independent New SRO Board enforcing the New SRO public interest mandate.

One commenter emphasized the importance of exchange representation at the New SRO and that the CSA should consider alternative avenues to allow the New SRO receive input from Canadian marketplaces, such as establishing a board advisory or standing committee that requires exchange representation and that reports to the New SRO Board. In addition, the New SRO Board should be composed with individuals who have strong marketplace skills and experience.

The CSA acknowledges the comments and understands that the New SRO's intention is to continue the Market Rules Advisory Committee (MRAC). MRAC has representation from all marketplaces for whom IIROC or New SRO is the Regulation Service Provider and that the mandate of MRAC provides for a standing Board member on MRAC – Chair of the New SRO Board (or another member of the New SRO Board designated by the Chair).

Definition of an independent director

An industry stakeholder noted that the meaning of Independent Director, outlined in the New SRO Recognition Order and By-law No. 1, should be expanded beyond the reference to individuals who have no material relationship with the Corporation or Member to include a requirement for individuals to have independence from securities regulators, federal or provincial agencies responsible for financial sector policy or consumer policy or regulation and securities related advocacy associations.

When developing the CSA Position Paper, the CSA considered whether the definition of independence should include the above-noted entities. It was eventually concluded that the main purpose of the independence requirements is to prevent regulatory capture. It is the CSA view that this will be achieved with the current definition of Independent Director.

One commenter recommended that the “material relationship” test in the definition of Independent Director should be objective, rather than a subjective test of what could be “reasonably expected” by the New SRO Board. In response to this comment, the language in the New SRO Recognition Order (i.e., sub-section 2(2) of Appendix A) is amended to ensure enhanced objectivity of the “material relationship” test.

With respect to the cooling-off period for Independent Directors, some industry stakeholders proposed to reduce it to 2 years (instead of 3 years), while another commenter suggested it should be subject to a reasonable person test. It is the CSA view that the 3-year period is reasonable as it is consistent with the requirements in the National Instrument 52-110 *Audit Committees* as was outlined in the CSA Position Paper. Moreover, the current definition of independence provides for a possibility of a longer cooling-off period if it is concluded that the nature or duration of an individual's relationship with a Member, its Associates, or its Affiliated Entities could be reasonably perceived to interfere with the exercise of that individual's independent judgment.

Skills matrix

Industry stakeholders proposed that the skills matrix for Directors should include member as well as public input. It was also noted that the CSA should be directly involved in the development of the skills matrix. Also, the matrix must include requirements for investor protection experience, specific skills for the Independent Directors (e.g., empirical research, behavioural finance, economics, consumer advocacy, dispute resolution, etc.) and at least one Director with professional financial advice credentials.

The initial skills matrix for Directors were developed by the Special Joint Committee, comprised of IIROC and MFDA board members and independent members, all appointed by the CSA, with an external consultant. The skills matrix will be further developed as required to meet the industry, investor and regulatory needs, and any changes to the skills matrix will be subject to the CSA non-objection process.

Remuneration of non-independent directors

One commenter recommended that non-independent directors be remunerated as well as it will motivate stronger engagement.

The SROs are not contemplating payment to non-independent directors and are of the view that issues related to director performance are more appropriately addressed through the director assessment process and in monitoring and enforcing compliance with the director code of conduct.

Board and governance committee mandates

One commenter made a number of governance recommendations related to the New SRO By-law No. 1. Most of these changes will be addressed in various New SRO governance mandates for example, conflicts of interest, board nomination processes and criteria, and Board committee governance will be set out in the New SRO Director Code of Conduct, Board Charter, Board Committee Mandates, and skills matrices for the President/CEO and Board of Directors. These documents are subject to the approval of the CSA and will be made public once they are in place.

This is a summary of the recommended changes to the New SRO By-law No. 1 made by the commenter (the SROs’ responses are italicized):

- The definition of conflicts of interest should be expanded to include family members and affiliates of a Director, and additional guidance on the disclosure and management of conflicts of interest should be provided.

  The SROs have addressed conflicts of interest extensively in the Director Code of Conduct.

- There should be in-camera sessions of only Independent Directors at every regularly scheduled meeting of the Board.

  The Board Mandate for the New SRO addresses the issue of in camera meetings of directors and contemplates in camera sessions with independent directors where appropriate.

- There should be a position description for the CEO.

  A detailed position description for the role of President & CEO was employed in the search process for filling the position by the Special Joint Committee (SJC) and approved by the CSA.

- The Board and Board Committees should be empowered to retain Independent Advisors to advise them if or when needed.

  Agents and attorneys can be retained by either the Board or Board Committees as needed. This is generally done by engaging senior management.

- Executive Committees should be explicitly prohibited.

  The SROs do not anticipate that an Executive Committee of the Board will be struck.

- A Director should not be appointed to just any committee as not all Directors may have the competencies to serve on a particular committee.

  The Governance Committee conducts a careful review of the skills matrix for candidates in making its recommendations. Competencies are a critical factor in selecting committee appointments, as they are in selecting potential Board nominees.

- The Finance, Audit and Risk (**FAR**) Committee should report to the Board on the risk appetite framework for the New SRO. In addition, FAR committee members should have financial literacy or expertise requirements.

  The FAR Committee mandate includes the responsibility to review and approve the risk management framework, including risk appetite, risk tolerance and risk policy statements, and the guiding principles that underpin and support a risk-aware culture. The director skills matrix used for Board succession/recruitment speaks to the requirement for financial literacy for all directors, including those who are members of the FAR Committee.

- The Human Resources and Pension (**HR&P**) Committee should not establish officer compensation as this is a Board responsibility. In addition, the HR&P Committee should recommend to the Board, for its approval, the President & CEO's evaluation, succession and compensation.

  While Officer compensation is largely the responsibility of management, compensation for the President & CEO is decided through an extensive review and approval process conducted by the HR&P Committee of the Board. The HR&P Committee mandate includes the performance evaluation of the President & CEO.

- Each of the Board Committees should not have the autonomy to regulate its procedure and make decisions including the ability to select its own members and chairs. They should review and make recommendations to the Board for approval.

  The SROs are of the view that Board Committees are in the best position to decide on appropriate procedures for themselves. The Board has the responsibility to appoint Committee members and Chairs of the Committees.

- There should be a diversity requirement for the Board. The word "diversity" is missing from By-law No. 1.

  Diversity requirements are an important factor in Board member selection and are set out in the Governance Committee mandate.

- The Terms of Reference for all of the Board Committees should be disclosed.

  As noted above, the mandates of the Board of Directors and all Board Committees, i.e. the terms of reference, will be made public once they are formally in place.

- There should be a regular assessment on the effectiveness of the Board, each Board Committee, and individual Directors, including independent assurance every three years, with external reporting on the process to provide assurance on effectiveness of the New SRO governance.

  The responsibility for the conduct of Board assessments is addressed in the Governance Committee mandate. The SROs anticipate that existing practices will continue i.e., using a third party to assist with the assessments.

- The Chair and Vice Chair of the Board should not be the member of a Committee ex officio.

  The SROs are of the view that such prohibitions against Board Committee membership are not required in light of the extensive oversight over the Board and the New SRO activities by the CSA.

- There should be a term limit of three years for the Chair of the Board.

  The term limit of Chair is governed by the term limit of the individual as a director of the New SRO.

The commenter also asked for clarification on the disclosure obligations of the New SRO compliance with By-law No. 1 and who has the responsibility for recommending to the Board the nomination of Directors.

The New SRO's compliance with By-law No. 1 and other obligations is monitored closely by the CSA through regular reporting and oversight activities. The CSA will publish an annual oversight activities report of the New SRO. Also, the responsibility for recommending the nomination of Directors is set out in the Governance Committee mandate.

Governance committee

Industry commenters expressed concerns about the requirement in By-law No. 1 that the Governance Committee be comprised entirely of independent directors. The commenters stated that it would be useful to include industry members on the Governance Committee, in alignment with the actual composition of the New SRO Board.

The CSA will maintain a fully independent Governance Committee, and is not implementing changes to the New SRO Recognition Order and By-law No. 1 in this regard. The current IIROC Governance Committee is already required to be 100% independent. In addition, the proposal to have an all-independent Governance Committee was a recommendation in the CSA Position Paper, supported by the majority of stakeholders.

Comment related to the New SRO By-law No. 1

One commenter noted that in order to achieve a harmonious, pan-Canadian, self-regulatory framework, securities regulatory authorities and commissions should consider, rather than supersede the rights of Members and be subject to the New SRO's by-laws, and that the New SRO should not adopt subsection 18.1(2) of By-law No. 1.

The CSA disagrees with the statement that subsection 18.1(2) of By-law No. 1 should not be adopted as subsection 18.1(2) restates existing Canadian securities legislation that will continue to apply to the New SRO. It does not change the existing securities regulatory framework.

"Self" in Self-Regulation

Many industry commenters expressed concerns that the revised CSA governance and oversight approaches do not achieve the right proportion of industry self-regulatory authority, specifically citing a number of aspects of the New SRO framework:

- the CSA will have greater oversight over certain governance matters, such as business plans and exemptions from the New SRO rules
- changing the current decision-making role of IIROC District Councils to an advisory role
- requiring the New SRO Board to have a majority of independent directors

Considering the comments from industry and investor advocate stakeholders, the CSA is of the view that the New SRO framework achieves the right proportion of industry self-regulatory authority. As noted in the CSA Position Paper, the CSA intends to ensure the "self" in self-regulation is not lost. The changes related to governance and oversight (including requiring an independent New SRO Board) are necessary to appropriately reduce the risk of regulatory capture and enable the New SRO to appropriately carry out its public interest mandate.

The requirement to seek input from the CSA regarding business plans and a non-objection mechanism for approval of the New SRO Board exemptions came from the CSA Position Paper, which considered stakeholder views, including those of the SROs.

The CSA also disagrees with the statement that the repurposing of District Councils will substantially diminish the industry's self-regulatory role. As stated in the CSA Position Paper, changing the role of the District Councils is one of the solutions to support and promote the New SRO's public interest mandate and manage the risk of regulatory capture.

3. CSA oversight

General

Commenters were generally supportive of the need for enhanced CSA oversight of the New SRO, particularly given the broader mandate of the New SRO. That said, some commenters felt that these enhancements could adversely impact the New SRO's ability to function independently as a self-regulatory body. Some commenters acknowledged that any adverse impact could be mitigated by the CSA exercising those oversight enhancements in a judicious manner.

Suggestions from other commenters were largely consistent with current oversight practices, such as conducting annual risk assessments. However, some commenters questioned the effectiveness of a risk-based approach in assessing whether the New SRO continues to meet its public interest mandate. Some commenters also suggested the use of high-level oversight review objectives, such as delivering strong levels of investor protection, while others advocated for specific key performance indicators (KPIs) and discrete the New SRO Recognition Order provisions, such as mandating continuous improvement in the areas of regulatory effectiveness, efficiency and cycle times (productivity).

The CSA has determined that the oversight enhancements strike the right balance between self-regulation and investor protection, with regulating in the public interest being front and center in the New SRO mandate. Furthermore, regulating in the public interest remains at the forefront of all oversight activities conducted by the CSA. Lastly, the terms and conditions relating to the

performance of the New SRO functions and the criteria for recognition regarding capacity to perform those functions in the New SRO Recognition Order address the matters related to the effectiveness and efficiency of the New SRO. New SRO will have extensive reporting requirements to its Board and other stakeholders, including benchmarking to a number of KPIs.

One commenter opined that seeking Commission input for the New SRO strategic and business plans and annual statement of priorities and budgets should be worded more strongly as to require the New SRO to use or consider that input. They also emphasized the need for these documents to mirror the CSA or Commission strategic plans and priorities. Lastly, this commenter also suggested a minimum frequency for independent third-party reviews of the New SRO, with the final report being made public.

The New SRO Recognition Order requirement to seek input from the Commission before finalizing the New SRO's strategic and business plans, annual statements of priorities and budgets codifies the existing CSA practice to review these documents in advance of publication. Consistent with these current practices, the CSA expects the New SRO to consider Commission input, and to engage in further discussions when necessary. Disagreement on critical matters will be escalated through the existing oversight structure.

The requirement to undergo a third-party review will be used sparingly, likely for instances where specialized skills are necessary or distance from any perceived conflicts is deemed appropriate. These reviews are not expected to take the place of recurrent oversight reviews, audits, etc. Consequently, it is inappropriate to mandate a minimum frequency for these reviews given their ad hoc nature. The results of any such review may form part of the Annual Report on Oversight Activities.

The New SRO rulemaking

A commenter noted that the appropriate use of guidance (i.e., guidance is not a mechanism for rule making) should be outlined explicitly as part of the New SRO Recognition Order. This commenter also suggested that the requirement to establish and maintain rules that ensure adequate proficiency and continuing education of Approved Persons be expanded to include ethical behaviour and conduct standards.

Significant guidance notices are currently, and will continue to be, reviewed by CSA oversight staff with a number of considerations in mind, including whether that guidance could constitute rulemaking.

Lastly, the criteria for recognition in the New SRO Recognition Order specify that rules must foster fair, equitable and ethical business standards and practices. The CSA has determined that this criteria, when read in conjunction with the requirement to develop rules which ensure adequate proficiency and continuing education, inherently include ethical behaviour and conduct standards for Approved Persons.

Commenters suggested that the JRRP in the New SRO MOU be amended to specify a comment period of 60-90 days, with the duration being relative to the complexity of the rule being proposed and the implementation period commensurate with the transition period necessary to adopt those changes. Commenters also expressed a desire for proportionate regulation, considering the scale, complexity and risks involved in the underlying rule and any costs associated with the implementation. This would include a pre and post-implementation cost-benefit analysis. One commenter recommended that all FAQs for rules be updated and re-published from time-to-time and also be subject to industry consultation. Further to this, the commenters suggested that any variation or exception to the JRRP itself be subject to public consultation.

Lastly, one commenter questioned whether it is appropriate that any recognizing regulator may withdraw from the New SRO MOU with 90-days written notice. They also articulated discomfort with the guiding principles using the word "strive" in reference to harmonious direction to the New SRO. This commenter also recommended that the New SRO Oversight Committee liaise with the Ombudsman for Banking Services and Investments (OBSI) when coordinating oversight activities.

Regarding the length of the comment period, the JRRP in the New SRO MOU does not preclude the New SRO from offering longer comment periods. Historically, the comment periods offered have been reflective of the complexity of the rule or extenuating circumstances, as was the case for the 120-day comment period for the Plain Language Rules and the 90-day comment periods during COVID.

The criteria for recognition in the New SRO Recognition Order require the New SRO to establish and maintain rules that are designed to be scalable and proportionate to different types and sizes of Dealer Member firms and their respective business models; and the JRRP in the New SRO MOU requires an economic impact analysis of proposed rule changes. The review of significant guidance, including FAQs updated as a result of a rule review, and consultations with OBSI are consistent with existing, and future, CSA practices. The CSA remains committed to providing harmonious direction in all areas of New SRO Oversight to the extent that is practicable and situationally applicable.

With respect to the amendments to the New SRO MOU, even though not formally required to do so, the individual members of the CSA have published existing SRO MOUs for comment, as was the case for the draft New SRO MOU and 2021 IIROC and MFDA MOUs. In rare cases where any JRRP requirements might be waived or varied at the request of the New SRO, it is the CSA expectation that appropriate disclosures will be provided by the New SRO in the public notices of rule implementation.

Finally, the ability of any recognizing regulator to withdraw from the MOU within 90 days of a written notice is an existing clause and a standard term for CSA MOUs.

The New SRO MOU non-objection process

Some commenters were of the view that the CSA's ability to non-object to the New SRO independent director nominations, CEO appointments, changes to the New SRO Board and CEO skills matrices, and exemptions to the SRO rules is overly prescriptive and unwarranted. These commenters also expressed concern that the non-objection process and criteria would limit the New SRO's decision-making autonomy and hinder its ability to enact its mandate. Conversely, one commenter questioned if the CSA should permit the New SRO to grant exemptions to rules that the CSA previously approved and urged the CSA to clarify its policy for the New SRO granting exemptions to rules.

The CSA has concluded that the non-objection process and corresponding criteria adequately balances the "self" in self-regulation while providing the CSA with a means to expeditiously oversee proposed changes in critical areas of governance and rule exemptions. This mechanism overall will result in more timely decisions than a formal approval process without compromising the ability of the CSA to intervene when necessary. Lastly, the non-objection process codifies existing powers of the CSA while also offering a more timely resolution process than current practices would.

Investor perspective on CSA Oversight of the New SRO

One commenter recommended that investors should have a means to provide input respecting the New SRO Oversight Program and that the Chairs Report be made publicly available to assist in that process. They also suggested that the New SRO Recognition Order stipulate that an annual or bi-annual investor satisfaction survey be utilized to obtain insights on public perception of the New SRO.

The CSA notes that the Annual Report on Oversight Activities of the New SRO will publicly disclose, where appropriate, relevant content that previously formed part of the Chairs Report. Neither the New SRO Recognition Order nor MOU preclude the New SRO from conducting investor satisfaction surveys. The CSA may consult with investors, through investor advisory panels, respecting the New SRO Oversight Program when necessary.

4. Investor compensation/enforcement program

Investor advocates want the New SRO's public interest mandate to prioritize investor compensation and to ensure the New SRO has the authority to collect monetary sanctions and direct those funds back to harmed investors. Commenters offered suggestions for the process of determining the dollar amount of sanctions to be administered.

The CSA acknowledges that the issue of investor compensation is very important to investor advocacy groups. There are a number of ongoing projects that are addressing several issues raised – e.g., IIROC's disgorgement project which reviews and recommends how disgorged funds collected through disciplinary proceedings may be returned to harmed investors, IIROC's arbitration program and the CSA OBSI project. Compensation authority will be considered as to not interfere with organizations dedicated to this function (e.g., OBSI).

One commentor thought a specific amendment was needed in s.11(c) of Schedule 1 - Disciplinary Matters. They suggested that any sanction imposed be consistent with the June 2015 paper by the International Organization of Securities Commissions (IOSCO) titled Credible Deterrence in the Enforcement of Securities Regulation. The CSA believes that the proposed language might be too prescriptive and have potentially limiting effect on the outcomes.

There was a comment that the New SRO Recognition Order should contain a requirement for the New SRO to refer all cases of illegal activity and suspected fraud to law enforcement. As per the RO, the New SRO will be required to cooperate with law enforcement authorities and report to CSA any breaches of securities law. The CSA/SRO Enforcement Protocol addresses referrals from the SROs to "provincial securities commissions, other domestic or foreign regulators/agencies and police."

5. Investor protection and complaint handling

One commenter noted that changes should be made to the New SRO framework to enhance investor protection by going beyond the principle in the New SRO Recognition Order about "protecting investors from unfair, improper, or fraudulent practices by its Members". Specifically, the commenter recommended that there be an obligation imposed by the New SRO on its Members to ensure that registered representatives are provided with support, education/training and supervision in order to enhance investor protection. The CSA does not think that further changes to the New SRO Recognition Order are required. These elements are captured by the overall framework (including s. 10(1) of Schedule 1 of the New SRO Recognition Order and s. 11.1 of NI 31-103).

The commenter also provided a number of other revisions to the New SRO framework to generally expand investor protection. Although we appreciate the commentary, the CSA generally did not make changes to the framework in response to these comments. The CSA believes that the outcomes of these suggestions were covered in other areas of the framework, were recently addressed in rule changes, or were out of scope of the CSA Position Paper.

Another commenter noted that it would be important to clearly state the general duty of member firms and their managers and representatives to act with loyalty and diligence in the best interest of their clients. The CSA notes that firms and their representatives are currently, and will continue to be subject to a high standard of care under securities legislation through their obligations to deal fairly with clients and to address conflicts in the best interest of clients.

Two investor-advocate commenters suggested an increased focus on investor protection through an enhanced complaint handling process. One commenter suggested that a requirement be added to establish a modern, effective Dealer client-complaint handling system into Schedule 1 of the New SRO Recognition Order based upon a root cause analysis methodology, and that any changes to complaint handling rules should be subject to public consultation and formal CSA approval. Both commenters suggested that the New SRO Recognition Order set out core principles for a robust complaint handling and resolution process in the regulatory framework. In response to this comment, the New SRO Recognition Order was revised to enhance the core principle relating to complaint handling (see subsection 1(1) Public interest guiding principles in Schedule 1 of the New SRO Recognition Order).

One of the investor-advocate commenters also suggested that the New SRO framework be amended to include the development of a working relationship with OBSI with the goal of improving rules, processes and products, and preventing the recurrence of harmful systemic issues. The commenter also suggested that the New SRO should not have a duty to nominate OBSI directors as they should not represent entities or groups, instead relying on a skills matrix. The CSA notes that other CSA groups conduct ongoing work in this area and that the CSA intends to consider the role, responsibilities and relationship between the New SRO and OBSI.

6. Comments related to Québec harmonization

General

Many commenters welcomed and underlined the benefits of the amalgamation of the two SROs. Commenters from Québec also expressed a wish for harmonization of applicable rules, policies, and processes throughout Canada.

The CSA has taken into consideration the importance of harmonizing applicable rules, policies, and processes, to the extent possible. The AMF also notes that according to its proposed transition plan for mutual fund dealers (MFDs) in Québec, starting with the permanent phase, Québec MFDs will be subject to the same oversight as MFDs in the other Canadian jurisdictions, while also taking into account features that are specific to the framework applicable to the mutual fund sector in Québec.

Generally speaking, improvements associated with the New SRO will be available in all jurisdictions, subject to any local legislative or regulatory requirements.

Please refer to the sections below for the responses regarding specific concerns related to harmonization.

AMF powers delegated to the New SRO

One commenter mentioned that AMF powers being delegated to the New SRO will only be beneficial if the New SRO's services and professionalism is of the same level or of a greater level than the ones provided by the AMF.

The AMF acknowledges the comment.

Creation of the Québec district

Many commenters welcomed the creation of the Québec district and the decision by the AMF to recognize the New SRO. One commenter said that the Québec district should be harmonized with the functionality of the New SRO. More specifically, current mechanisms regarding qualifications, approvals and supervision should be maintained.

The AMF agrees with the comment. Québec-specific Condition 21 of the New SRO Recognition Order will ensure appropriate harmonization of the Québec district operations with operations conducted elsewhere in Canada.

Language

One commenter said that the services offered in French should be equivalent of those offered in English and that the President/CEO should be bilingual, or at least able to communicate in French.

The New SRO will be a bilingual organization operating in all provinces, including Québec. Accordingly, all official communication of the New SRO to the public will be in both French and English. Moreover, Condition 21 of the New SRO Recognition Order will ensure that the Québec district shall offer its members and the investing public all necessary services in French, and that the quality of said services will be equivalent to the services offered in English in other offices of the New SRO.

Role of the Chambre de la sécurité financière ("CSF")

Many comments were received with regards to the role of the CSF within the new regulatory framework. Some commenters requested that its role be reviewed, or else it would prevent Québec investors and registrants from benefiting from the amalgamation of the two existing SROs and would increase the differences that exist between the oversight of mutual fund dealers ("MFDs") in Québec and elsewhere in Canada.

Some commenters suggested that the oversight of MFDs' representatives should be withdrawn from the responsibilities of the CSF and repatriated under the New SRO, which should be recognized by the AMF as the sole regulatory authority responsible for the oversight of MFDs and their approved persons in Québec. Commenters recognized, however, that a legislative amendment would be required to withdraw the CSF's disciplinary powers over MFDs representatives operating in Québec.

Commenters also suggested that if the CSF remains in the regulatory framework, there must be no duplication of activities and responsibilities between the New SRO and the CSF, and that harmonization and simplification (including in the complaints handling process) be achieved in Québec as well as other provinces. Exemplary collaboration and close relationship between the AMF, the New SRO and the CSF was mentioned to be very important to avoid duplication of work and overlap.

The AMF agrees with the comments received regarding the importance of ensuring that there is no duplication of activities and responsibilities. As indicated by the AMF in its local consultation on regulatory amendments to *Regulation 31-103 respecting Registration Requirements, Exemptions and Ongoing Registrant Obligations* relating to the transition for Québec MFDs to the New SRO, the AMF's transition plan for Québec MFDs to the New SRO provides that their dealing representatives will remain members of the CSF in keeping with legal requirements, which will remain in place after the transition phase. As those legal requirements are set out by the *Act respecting the distribution of financial products and services*, CQLR, c. D-9.2, any modifications would require legislative amendments.

Furthermore, the AMF, the CSF and the New SRO will coordinate their efforts and actions to enforce the regulatory provisions, including through a cooperation agreement which will be established between all three organizations to avoid any overlap of their regulatory activities.

Fees and costs related comments

Numerous commenters raised concerns about possible additional costs resulting from the duplication of regulatory organizations in Québec. Commenters mentioned that MFDs having activities in Québec should not have to pay for the overlap of services offered by the New SRO and the CSF. Commenters suggested that no additional regulatory fees should be imposed to Québec's financial industry stakeholders and that cost should be similar to those paid by MFDs of the same size in other provinces. One commenter suggested that the membership fees of the New SRO be reduced to account for activities performed by the CSF. Finally, another commenter suggested that Québec MFDs could make one annual payment to the New SRO, using the same formula that will apply to MFDs outside Québec. The New SRO could then share a part of its revenue to the CSF, proportionate to the services provided by the latter.

The AMF agrees with the comments received regarding the importance of avoiding any duplication of fees and overlap of services and understand the concerns that were raised. To minimize or avoid fee impacts of duplicative structures during the transition phase in Québec, Condition 21 of the New SRO Recognition Order stipulates that the New SRO shall ensure that MFDs registered in Québec pay a reduced and proportional fee to the services offered to them. As mentioned above, a cooperation agreement between the AMF, the CSF and the New SRO will be established to avoid any overlap of regulatory activities between the different organizations, which will also help ensure an efficient use of resources.

Examinations and information sharing agreements

Commenters mentioned that robust cooperation agreements and information sharing agreements should be established between the different regulatory organization in Québec to avoid duplication, notably of regulatory enquiries. One commenter also expressed interest in obtaining additional information regarding the nature and form of the planned cooperation agreement between these organizations.

Some commenters are of the opinion that, during the transitional period in Québec, compliance examinations should be conducted jointly by the New SRO and the AMF, and that a single report should be issued. One commenter also said that it is essential for these organizations to establish a rigorous mechanism for inspection and investigation that is both reciprocal and automatic.

One commenter requested additional information with regards to the conduct of examinations during the transition phase.

The AMF agrees with the comments received regarding the importance of cooperation and information sharing between regulatory organizations. As mentioned above, a cooperation agreement between the AMF, the CSF and the New SRO is currently being negotiated. Examinations and how they will be conducted by the different organizations will be covered by this agreement to avoid any overlap in their regulatory activities. As part of the permanent phase which will be established following the conclusion of the transition phase in Québec, the AMF expects that mutual fund dealer oversight will be conducted primarily by the New SRO.

Rules

One commenter said it would be advisable for a single harmonized rulebook to be applicable in all jurisdictions, including Québec. This commenter also suggested the CSA to consider allowing national firms to elect to have mutual fund dealers be subject to the New SRO Interim Rules for their activities in Québec, and ultimately, a harmonized set of rules. Finally, another commenter also expressed interest in obtaining additional information on efforts and actions to draft and implement regulatory rules in this sector.

Please refer to "Harmonization/Consolidation of Rule Books" in section 8. Interim Rules below.

The AMF believes that a transition phase will be necessary for Québec MFDs to have sufficient time to make the necessary changes to their systems following the adoption of the New SRO's harmonized rule book, as presented in the AMF's proposed transition plan for Québec MFDs, published on May 12, 2022. The AMF also expects that, as part of the permanent phase which will be established following the conclusion of the transition phase in Québec, the New SRO rules would be applicable to mutual fund dealer activities in Québec.

The AMF plans to provide additional details and make publicly available the cooperation agreement between the AMF, the New SRO and the CSF.

Transition period

Concerning the local amendments to Regulation 31-103 in Québec published for consultation by the AMF on May 12, 2022, commenters said that the proposed one-year transition period for the permanent phase following the implementation date of the New SRO's harmonized rule book would not be sufficient. One commenter suggested that a minimum of 18 months, and ideally 24 months, would be required to review all its policies and procedures, and make any necessary changes. Commenters are also of the view that a staggered implementation of new requirements should be considered and suggested a phased-in approach based on the complexity of the rules, from which MFDs in Québec which were not previously supervised by an SRO would especially benefit from.

Another commenter underlined the importance of establishing a clear timeline concerning the entry into force of the permanent phase.

The AMF agrees with the importance of establishing a clear timeline for the permanent phase and will consider comments received regarding the length of the transition period for the permanent phase. Please refer to the AMF's response to comments which will be provided pursuant to the AMF's May 12, 2022 consultation on local amendments to Regulation 31-103 in Québec.

Continuing education requirements

One commenter said that it would be advisable to not exempt mutual fund dealers in Québec from the continuing education requirements of the New SRO that are applicable to persons (e.g., directors, senior managers, branch managers, supervisors, etc.), other than representatives, working for such dealers.

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 CSF is responsible by law for regulating the continuing education of mutual fund dealing representatives in Québec.

The AMF will refer this comment to the CSF and consider whether the scope of this exemption should be revised as part of a future policy project.

Please also refer to "Continuing Education" in section 8. Interim Rules below.

Complaint handling

With regards to the complaint processing and dispute resolution framework applicable in Québec, many commenters supported a harmonized, pan-Canadian approach, as they are of the view that separate processes would add unnecessary complexity and lead to possible confusion. Some specifically mention that this framework should not apply to them, asserting that a single complaint process for all registered firms in Canada would allow for better complaint management for the New SRO with regards to all registered firms and provide a better transition for the final implementation of the New SRO.

The AMF acknowledges the comment. In Condition 21 of the New SRO Recognition Order, the New SRO acknowledges that the AMF has established a specific framework for processing complaints and resolving disputes. The AMF published a draft regulation on complaint processing and dispute resolution for comments in 2021. The draft regulation is intended to harmonize and strengthen the fair processing of complaints in Québec's financial sector and is complementary to specific obligations imposed by the *Securities Act,* CQLR, c. V-1.1 and the *Derivatives Act,* CQLR, c. I-14.01 on complaint processing and dispute resolution that Quebec registered firms are required to comply with. The AMF takes note of the concerns expressed by Québec registered firms as it pursues its work on its proposed complaint processing and dispute resolution regulatory framework, keeping in mind its

commitment towards minimizing the compliance burden that Quebec registered firms are subject to and facilitating their transition to a new SRO.

As for the complaints that may be investigated by the AMF, the CSF or the New SRO, they will be governed by a cooperation agreement which will be established between the three organizations that will coordinate their respective complaint handling processes. This cooperation agreement is currently being negotiated.

Protection of Québec investors

One commenter is unsure as to how the new framework will provide greater protection to consumers in Québec. On the other hand, another commenter believes that the protections necessary to ensure Québec investors continue to thrive are well accounted for in the Québec requirements.

The AMF believes that investors will largely benefit from the amalgamation of the SROs. The amalgamation will allow investors to have an easier and more cost-effective access to a broader range of investment products.

One of the key features of the New SRO will be enhanced governance. The New SRO will, by design, clearly convey how the public interest informs the New SRO's regulatory actions and responsibilities and emphasize the public interest mandate in constating documents. A majority of the New SRO Board members, and its Chair, will be independent and nomination of each independent director will be subject to the CSA non-objection process. The New SRO will also seek CSA input on its annual priorities, business plan and budget, and provide to the CSA for review documents that could have a significant impact prior to publication.

The AMF also notes that a separate investor office within the New SRO will be established to support rule development and provide investor education or outreach with the goal of improving investor protection. The New SRO will also have an investor advisory panel to provide independent research or input on regulatory and/or public interest matters. The New SRO Board will be required to meet with the Investor Advisory Panel at least twice a year.

The AMF also notes that condition 21 of the New SRO Recognition Order, provides that any decisions that may have an impact on Dealer Members, Market Members and Approved Persons of Québec must be made principally by persons residing in Québec.

Therefore, the AMF is confident this new framework will increase investor education, protection and instill public confidence, while ensuring that Québec investors' interests are protected.

7. Phase 2 of the New SRO framework

The CSA appreciates comments from industry participants regarding the Phase 2 considerations and recognizes the desire for the CSA to establish a formal timeline for the Phase 2 rollout. However, Phase 2 considerations and timelines will only be addressed following close of the amalgamation and after the New SRO has been in operation for a period of time. Phase 2 will have its own analysis and consultation process before any decision is made on these considerations, including whether to expand the New SRO's mandate to include other registration categories.

The CSA is mindful that some industry participants would like to see a higher priority given to possible harmonization between securities and insurance regulation through the Joint Forum of Financial Market Regulators in appropriate situations, as contemplated in the CSA Position Paper. However, this is not a pre-close priority. Prioritization of tasks will be driven by their significance to the public interest and amalgamation requirements.

8. Interim Rules[1]

Conduct and Practices Handbook (CPH) requirement for mutual fund representatives at dual-registered firms

The most widespread comments received pertained to the proposal in the Interim Rules to require representatives of dual-registered firms dealing in mutual funds only to complete the CPH. Many felt that mutual fund only registered representatives moving to a dual-registered dealer should not be subject to any additional proficiency requirements in order to continue to sell mutual funds only, and that the cost and time burden to complete the CPH requirement would be a significant obstacle to firms who wished to quickly unlock the benefits of becoming dual-registered. There were also comments received on the appropriateness of the CPH requirement as it includes content that was not perceived to have application for MFDA representatives.

While the SROs still believe that all client-facing Approved Persons should be subject to enhanced ethics requirements, we agree that is not essential to pursue the CPH requirement at this time. The Interim Rules have been revised to remove the requirement for individuals to complete the CPH to be approved in the "*Registered Representative* dealing in mutual funds only who is an

[1] Interim Rules refer to the New SRO rules that will be adopted on establishment of the New SRO (i.e. on the amalgamation of the MFDA and IIROC). The Interim Rules will be comprised of the Investment Dealer and Partially Consolidated Rules, the Universal Market Integrity Rules, and the Mutual Fund Dealer Rules.

employee of a firm registered as both an investment dealer and a mutual fund dealer". The result of this change is that the individual proficiency requirements for mutual-funds-only licensed individuals employed by a dual-registered firm will be the same as those for mutual-funds-only licensed individuals employed by a mutual fund dealer.

Ethics requirements will be considered as part of the New SRO's work to consolidate the rules applicable to investment dealers and mutual fund dealers, which will take place after the Amalgamation.

Rules applicable to dual-registered firms

There were comments received on the rules applicable to dual registered firms and their employees and approved persons. In the FAQs published in May 2022, we noted that dual registered firms would be required to comply with the New SRO investment dealer and partially consolidated rules, and the New SRO mutual fund dealer rules where there is "no corresponding requirement" in the New SRO investment dealer and partially consolidated rules. Many requested clarification on what "no corresponding requirement" means.

The SROs' intention is that the only circumstance under which mutual fund dealer rules must be followed is where there is no investment dealer rule addressing the same subject matter. In instances where there are both investment dealer and mutual fund dealer rules addressing the same subject matter, the investment dealer rule is to be complied with. Detailed examples have been provided in the FAQs on the Interim Rules.

Client account repapering requirements and new account documentation

There were concerns raised by MFDA and IIROC members on the potential requirement to execute new account agreements and documentation where a mutual fund dealer affiliate or investment dealer affiliate wishes to move client accounts to a dual-registered firm. Many recommended that there be rule amendments to permit such a movement of client accounts without re-papering the client accounts where products and services to be offered to the client and the know your client information collection and assessment processes at the dual-registered firm are materially the same as at the affiliate.

The SRO rules require that new account documentation be obtained when an account is opened, including when an account is moved from one legal entity to another. However, the intention of introducing the dual registered firm approach is to permit firms to carry on the same activities within one legal entity that they could otherwise carry out within two legal entities. The SROs agree with the comments and accordingly, have introduced a provision within the Interim Rules to facilitate the timely movement of accounts between Affiliated Firms (including situations where accounts are being moved to a dual-registered Affiliated Firm) without requiring the completion of new account documentation, provided:

- the account, products and services to be made available to the client
- the know-your-client information collected,
- the approach used to assess the information collected, and
- fees applicable to the account,

at the new affiliated registered firm are materially the same as at the current firm, and the existing account agreement has an acceptable assignment clause[2].

Dual registered firm application process

There were many comments received asking for additional details about the dual-registration application process, the fees and approval timelines. There were a number of requests to simplify and streamline the process to ensure it will not be burdensome. Many also expressed concerns about potential administrative burden with having to re-register individuals under the proposed new category of "Registered Representative dealing in mutual funds only who is an employee of a firm registered as both an investment dealer and mutual fund dealer" on the National Registration Database (NRD).

The SROs have provided some guidance in the FAQs on the process, fees and timelines to become dual-registered. The CSA and SROs are developing a procedural guide to assist firms with this process which we intend to publish as quickly as possible.

The timing to approve such requests would depend on a number of factors including the complexity of the changes being undertaken by the firm.

The SROs have also decided to:

[2] Note that a written explanation of the proposal to the client may be required under s. 14.11 of NI 31-103.

- amend the New SRO Interim Rules to specifically permit the continuance of directed commission arrangements for those individuals that are currently permitted to do so

- make available rule exemptive relief for firm-specific matters which prevent the mutual funds division of a dual registered firm from complying with the same requirements as would otherwise apply if the business was conducted in a separate mutual fund dealer. For example, there may be existing custodial or service arrangements that are acceptable under the Mutual Fund Dealer Rules that are not acceptable under the Investment Dealer and Partially Consolidated Rules there may be a need to accommodate these arrangements through the granting of exemptive relief.

Directed commissions harmonization

There were many comments received related to directed commissions.

1. There was support for the proposal to continue to allow MFDA registered advisors to direct commissions to a corporation within the jurisdictions that permit it. However, many commenters felt that this opportunity should also be extended to registered representatives at investment dealers.

   The CSA Directed Commissions Working Group has been analyzing directed commission arrangements and because the work is still in progress, proposals to expand the permitted use of directed commission arrangements or similar proposals (i.e., incorporated salesperson arrangements) have not been pursued within the proposed the New SRO Interim Rules. Post-Amalgamation, the New SRO will commit to prioritizing the development of a harmonized approach for members of New SRO.

2. There were concerns raised that the New SRO's Investment Dealer and Partially Consolidated Rules would not allow directed commissions by registered representatives dealing in mutual funds at dual-registered firms.

   To address this, the SROs have introduced a provision within the Interim Rules to permit mutual-funds-only registered individuals, acting as agents on behalf of a dual registered firm, to be able to direct commissions to an unregistered corporation, where permitted by local securities legislation, provided they are not in the process of upgrading their proficiencies to those of a securities licensed individual[3].

3. There were questions asked about whether the AMF would permit directed commissions for Quebec MFDs.

   The AMF notes that section 160.1.1 of the Québec *Securities Act,* which allows mutual fund dealers to share a commission only with certain registered persons, can only be modified through the legislative process.

   The AMF is participating in the CSA working group formed to analyze directed commission arrangements. See Directed commission harmonization #1 above for more details on this subject and regarding incorporation of representatives.

Introducing broker / carrying broker arrangements

There was general support for the proposal to permit mutual fund dealers to introduce business to investment dealers as it will make it easier for mutual fund dealers to offer ETFs to their retail clients.

1. There were many requests for further clarification and certainty as to the circumstances under which a mutual fund dealer can introduce business to an investment dealer carrying broker without being subject to investment dealer rules. Specifically, commenters found the proposal to allow a mutual fund dealer to continue to be only subject to mutual fund dealer rules where they introduced an "insignificant portion" of their business to an investment dealer, confusing.

   To address this confusion, the Interim Rules have been revised to remove the "insignificant portion" and "significant portion" requirements in order to generally permit:

   - a mutual fund dealer introducing broker to comply with mutual fund dealer rules, and

   - an investment dealer carrying broker[4] to comply with investment dealer rules,

   under an introduction arrangement that is entered into between a mutual fund dealer and an investment dealer. The only exception to these general rule compliance requirements is where, for a particular activity, compliance

[3] Directed commissions will continue for mutual fund dealing representatives, where currently permitted.
[4] Under the revised requirements, either an investment dealer or a dual-registered firm would be permitted to offer carrying broker services to a mutual fund dealer

by one introduction arrangement party to one set of Interim Rule requirements[5] interferes with the ability of the other arrangement party to comply with a different set of Interim Rule requirements[6] – in this case, both parties must seek exemptive relief from the New SRO that specifies the manner in which the activity must be performed and the rule requirements that apply.

It is important to note that the proposals to permit a mutual fund dealer to introduce to an investment dealer do not take away the current option for a mutual fund dealer to use an omnibus account at an investment dealer.

2. There were a few comments asking why investment dealers were not permitted to introduce business to mutual fund dealers.

   This was not pursued as a near-term rule amendment because allowing investment dealers to introduce to mutual fund dealers would not have expanded the products to which investment dealer clients would have access. Further amendments to the introducing broker / carrying broker arrangements, including permissible arrangements between investment dealers and mutual fund dealers, will be explored as part of the rule consolidation work that the New SRO will carry out post-amalgamation.

Harmonization/Consolidation of Rule Books

Many comments showed general support of the New SRO-Interim Rules and that no additional requirements were being proposed in the interim. Some felt that the Interim Rules should consider more harmonization than what was proposed. There were also questions about the timing, the regulatory objectives, and process of developing the consolidated rulebook.

The focus of the SROs on developing the New SRO Interim Rules was to not create significant disruptions to the operations of investment dealers and mutual fund dealers. The consolidated rules need to be carefully considered in order to benefit clients and appropriately address the unique business models employed by investment dealers and mutual fund dealers. The principles that will guide the development of consolidated rules will be to find convergence on a risk-based and consistently applied approach to principles-based rules, compliance and enforcement. There will need to be a necessary period of time for the New SRO staff to develop and implement these consolidated rules. A consolidated rules plan is being developed and regular updates will be provided on this plan and our progress in carrying it out.

Membership disclosure

Many commenters asked about the name of the New SRO and expressed concerns about the complexity and cost for dealers to change references to IIROC, MFDA, CIPF and MFDA IPC to the names of the organizations as each new name is finalized. There were recommendations to the SROs to allow for a reasonable transition period to permit documentation amendments to reflect these new names.

The SROs have made revisions to the Interim Rule requirements relating to SRO and IPF membership disclosure to include the option that the existing disclosure requirements may remain unchanged for a period after the New SRO commences operations. The inclusion of this optionality within the rules will provide the New SRO and New IPF the flexibility to be able to implement the name for the New SRO and New IPF on a date after the commencement date of each organization and to allow for a sufficient Member implementation period.

The New SRO Regional Councils and National Council

We received many comments from members of the industry asking about the role of Regional Councils and requesting that the advisory mandate for Regional Councils be formulated through further member consultation. There were also comments recommending that the National Council have formal standing before the Board.

New SRO will be reviewing all existing advisory committees in consultation with members. New SRO will consult with the Dealer community, including current District Councils'/Regional Councils' and Advisory Committees' members on the role of new Regional Councils and National Council in New SRO. While the Regional Councils and National Council will have an advisory role, their specific responsibilities will be considered in the context of the new SRO, reflecting regional diversity and industry representation as well as a larger eco-system of the New SRO advisory committees. In addition, similar to IIROC's National Advisory Council today, the new SRO National Council will meet with the New SRO Board on a regular basis.

District Hearing Committees

There were comments recommending that there be additional consultation on the Appointments Committee which will be evaluating members to be appointed to the District Hearing Committees.

[5] Such as the mutual fund dealer introducing broker complying with mutual fund dealer rule requirements for a particular activity
[6] Such as the investment dealer carrying broker complying with investment dealer rule requirements for a particular activity

The qualification requirements to be considered by the Appointments Committee on appointment of panel members to the District Hearing Committees have been set out in the Investment Dealer and Partially Consolidated Rule 8305 and the MFDA Dealer Member Rule 7, which closely mirror the current requirements set out in IIROC Rule 8305. The Appointments Committee will also establish and periodically review a list of qualifications and other nomination and appointment criteria for the District Hearing Committees.

Continuing Education (CE)

Most comments agreed with the proposal that the New SRO maintain both CE programs for the time being but requested that harmonization be implemented quickly. There were widespread concerns about inefficiencies from having two different CE cycles, due to the differences in tracking and reporting requirements, and in the confusion and discrepancies for advisors moving between MFDA and IIROC firms. In addition, some commented that, unlike the MFDA's CE program, IIROC's CE Program does not mandate that CE courses be accredited and recommended that the New SRO require CE courses to be accredited.

The MFDA CE program was designed to be materially harmonized with the CSF program in Quebec as there are a significant number of individuals subject to both regimes. The New SRO will be seeking to harmonize CE programs of MFDA, IIROC and the CSF for the next CE cycle. We will take all of these comments into consideration as we develop consolidated rules for the New SRO.

Other changes to rules

We received comments and clarifications about other rule changes:

- SROs were asked by some commenters to consider amending the mutual fund dealer rules (specifically MFDA Rule 2.3.1(b)) to allow mutual fund dealers to engage in limited discretionary trading without relying on exemptive relief, as some of them do today.

  The SROs will review this policy initiative post-amalgamation.

- A couple of comments pointed out that the draft investment dealer Rule 3115 Personal Financial Dealings – Section 2(1)(a)(ii) should make reference to "approved outside activity" instead of "approved outside business activity".

  This discrepancy was caused by a timing issue as the New SRO Investment Dealer and Partially Consolidated Rules that were published for public comment were finalized well in advance of the implementation of the IIROC housekeeping amendments relating to registration information requirements, outside activity reporting and updated filing requirements. These housekeeping amendments became effective on June 2, 2022 and feature a number wording revisions to sections 2304, 2554, 2801, 2803, 2807, 2808, 3115 and 3623.

  All of these wording revisions have been picked up in the final version of the New SRO Investment Dealer and Partially Consolidated Rules.

- We received a request for clarification on why the following section in the MFDA rules under Internal Control Matters was deleted—"… (*ii) Authoritative literature such as publications of the Mutual Fund Dealers Association of Canada, the MFDA Investor Protection Corporation, the Internal Control Guidelines published by the Investment Dealers Association of Canada and Publications of the Chartered Professional Canadian Institute of Chartered Accountants Canada.*"

  The deleted language contained outdated references. The intent was to generalize reference to other regulators and professional accounting bodies.

9. Fees and integration costs

We received a number of comments from MFDA and IIROC members asking about the final fee model and integration cost recovery model.

1. Many requested clarity on the costs of the SRO consolidation and which firms would be subject to the recovery. There were a few comments recommending that the integration costs be allocated to firms that operate as dual platforms as they would be the primary beneficiaries of the amalgamation.

   The SROs expect to fund approximately 25% of estimated integration costs from the MFDA's discretionary fund and IIROC's restricted fund. The balance of the integration costs will be recovered from existing MFDA and IIROC Members who are affiliated with each other through the same controlling ownership interest, and any New SRO Member that becomes dually registered before the cost recovery period ends.

The recovery will be a separate fee calculated based on an integration cost recovery model, charged quarterly as a percentage of the applicable firm's annual membership fees, subject to a 10% annual cap[7]. The percentage will be set annually and charged over 3 to 5 years until the balance of integration costs are recovered. The final timeframe will be determined after all integration costs by March 31, 2024 are known, to ensure that fees will remain under the 10% of annual membership fees cap.

2. There were comments requesting additional details about the interim fees for dual registered firms under the New SRO.

   Dual-registered dealer members will pay fees under both the IIROC and MFDA fee structures within the Interim Fee Model until such time as the new fee model is implemented. In other words, the dual-registered member will pay fees pursuant to the existing MFDA fee model for the mutual fund dealer division, and in accordance with the existing IIROC fee model for the investment dealer division.

   There are also additional changes made to the interim fee model. As one of the public interest guiding principles is facilitating access to advice for investors of different demographics, including those primarily served by smaller and independent firms, it is important to retain and support that community through the transition to the new regulatory model. Accordingly, the Interim Fee Model will reduce both minimum fees and rebalance downward the fee rates per Revenue Tier for IIROC fees and Assets Under Administration ("**AUA**") category for MFDA fees applicable to the small dealer group[8]. Specifically, the IIROC minimum fee will be reduced from $22,500 to $16,000 with the related Revenue Tiers reduced accordingly. The MFDA minimum fee will be reduced from $3,000 to $1,500, with the related AUA fee rates under $1 billion reduced by 50% for small MFDA dealers. This modification would apply starting for fiscal year 2024 and will apply for a minimum of two years or until the final fee model is determined

3. There was extensive support and endorsement for the principles to be applied in the fee model adopted by the New SRO. There were requests for consultation on fees to ensure business models would not be adversely impacted by changes to the fee calculation.

   The SROs agree that the 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.

10. The New SRO Investor Advisory Panel (IAP)

There was a lot of support for the New SRO IAP and its mandate. Many felt that the terms of reference support an independent and effective the New SRO IAP and will ensure the concerns of investors are considered in New SRO's work and policy development, which historically have been perceived to favour the industry's concerns.

1. There were comments asking about how the New SRO IAP will complement the new CSA investor advisory panel and recommended that the New SRO ensure there is no overlap of mandates to avoid creating investor confusion through potentially competing messages.

   The SROs are mindful of the concerns around duplication with other panels and will engage with the New SRO IAP to discuss strategies to coordinate efforts and communications with other IAPs.

2. We received comments, from investor advocates in particular, requesting an increased involvement of the New SRO IAP in matters pertaining to New SRO operations. They felt that, in addition to advising staff of the New SRO, the New SRO IAP should also advise the New SRO's Board and they recommended that the New SRO IAP's chair meet with the Board at least twice a year (instead of at least annually, as proposed).

   The SROs agree. As an advisory panel to SRO staff, the New SRO IAP will advise the New SRO during the early stages of development of policies, strategic plans, annual priorities and other initiatives in order to enhance the investor voice in SRO regulation. We have also amended the terms of reference to require the Chair of the New SRO IAP to meet with the Board twice a year, at a minimum.

3. There were comments asking for details about the funding of independent research projects for the New SRO IAP, in that it should be adequate to meet its needs.

[7] Integration Cost Recovery Model Fees will begin for the first quarter of fiscal 2024 at an amount not to exceed 8% of annual membership fees

[8] A small dealer is defined for the purposes of the Interim Fee Model as a Member that is either: (i) an investment dealer that pays the IIROC minimum fee, or (ii) a mutual fund dealer with AUA for MFDA fee purposes that is less than $1 billion. MFDA small dealers excludes carrying dealers, as they do not hold assets under administration.

New SRO will provide the New SRO IAP with sufficient funding to ensure that it can effectively carry out its mandate and conduct research activities; the FAQs have been amended to state that research funding will be sufficient to meet the needs of the New SRO IAP. The funding provided will be similar to amounts provided to other consumer panels in the securities industry. The New SRO will fund most of the New SRO IAP's expenses from the discretionary/restricted fund[9].

11. Other comments

This is a summary of some other comments that came in (where applicable, the CSA and/or SROs' have provided responses which are italicized):

- Single comments on some other matters relating to use of titles, robo-advisors, arbitration, etc.

  These matters are out of scope of the CSA Position Paper and implementation of the New SRO. These comments will be passed on to the appropriate CSA committees for consideration.

- There were comments asking the CSA to re-consider allowing mutual fund dealers direct access to market to trade in ETFs (i.e., via a blanket exemption to National Instrument 23-103 – Electronic Trading and Direct Electronic Access to Marketplaces).

  Allowing mutual fund dealers direct access to market to trade in ETFs is out of scope of the CSA Position Paper and implementation of the New SRO. These comments will be passed on to the appropriate CSA committee for consideration.

- There was a comment asking about the process for handling complaints against the New SRO.

  The process for handling complaints against the New SRO will be clarified, as required under the RO, and published on the New SRO's website.

- There were a few comments recommending changes to the arbitration program and for the New SRO to consider using the restricted/discretionary fund to subsidize complainant fees related to arbitration.

  IIROC has engaged with an independent working group to review and provide recommendations on its Arbitration Program. The working group has prepared substantive recommendations, which IIROC intends to publish for public consultation later this year.

- There were comments supporting the responsibility for the market surveillance function remaining with the New SRO.

- There were comments supporting the ongoing review of proficiency requirements and the view that registrants should generally be required to follow a higher standard.

- There were comments supporting IIROC's efforts to improve complaint handling by dealer members today, as opposed to waiting for the New SRO to address these issues at a later time.

[9] Section 16(1)(b) of the Recognition Order provides some guidance that the funding could come from the restricted/discretionary fund. "*All Monetary Sanctions collected by the [New SRO] may only be used, directly or indirectly, in the public interest as follows… (b) for reasonable costs associated with the administration of the [New SRO]'s investor office, investor advisory panel and the [New SRO]'s hearings.*"

This page intentionally left blank

Canadian Securities Administrators | Autorités canadiennes en valeurs mobilières

CSA Staff Notice of Approval 25-308
Approval and Acceptance of Canadian Investor Protection Fund

November 24, 2022

Effective January 1, 2023, the Canadian Investor Protection Fund (**CIPF**) is approved or accepted as a compensation / contingency fund by the Alberta Securities Commission; the Autorité des marchés financiers; the British Columbia Securities Commission; the Manitoba Securities Commission; the Financial and Consumer Services Commission of New Brunswick; the Office of the Superintendent of Securities, Digital Government and Service Newfoundland and Labrador; the Office of the Superintendent of Securities, Northwest Territories; the Nova Scotia Securities Commission; the Office of the Superintendent of Securities, Nunavut; the Ontario Securities Commission; the Prince Edward Island Office of the Superintendent of Securities; the Financial and Consumer Affairs Authority of Saskatchewan; and the Office of the Yukon Superintendent of Securities (**Regulators**).

Background

Following public consultations, the Canadian Securities Administrators (**CSA**) published the CSA Position Paper 25-404 – *New Self-Regulatory Organization Framework* (**Position Paper**), describing the plan to establish a new single enhanced self-regulatory organization (**SRO**) that will consolidate the functions of the Investment Industry Regulatory Organization of Canada (**IIROC**) and the Mutual Fund Dealers Association of Canada (**MFDA**). The CSA also indicated that it would combine the two current compensation / contingency fund organizations, the Canadian Investor Protection Fund (**Former CIPF**) and the MFDA Investor Protection Corporation (**MFDA IPC**), into a single compensation / contingency fund organization which will be independent from the New Self-Regulatory Organization of Canada.

Former CIPF and the MFDA IPC have been fully supportive of the CSA position and have been working collaboratively under the CSA oversight. On May 12, 2022, the CSA published for comment the CSA Staff Notice and Request for Comment 25-305 - *Application for Approval of the New Investor Protection Fund*. In response to the publication, comments from 12 stakeholders were received demonstrating the continued overall support, from both industry stakeholders and investor advocates, for the enhanced regulatory framework outlined in the Position Paper. The summary and response to public comments are provided in Appendix D of this notice.

The statutory amalgamation of Former CIPF and the MFDA IPC in accordance with the *Canada Not-for-Profit Corporations Act* allows Former CIPF and the MFDA IPC to be combined and continue as one corporation by operation of law. The amalgamated corporation will be named “Canadian Investor Protection Fund”.

The new single enhanced SRO has been recognized, effective January 1, 2023, by the Regulators and will adopt a temporary legal name “New Self-Regulatory Organization of Canada”, which will be replaced by a new permanent name, to be determined at a later date.

The Autorité des marchés financiers will publish prior to the close of the amalgamation final amendments to put into effect its transition plan for mutual fund dealers registered in Québec (**Québec MFDs**) and their registered individuals.

Mutual fund dealers, including Québec MFDs, will not be required to contribute to the Canadian Investor Protection Fund’s Mutual Fund Dealer Fund in respect of customer accounts located in Québec and those accounts will not be eligible for coverage by the Canadian Investor Protection Fund. However, Québec MFDs will continue to contribute to the *Fonds d’indemnisation des services financiers* (Québec financial services contingency fund), as required by law, and their clients will continue to be eligible for the payment of indemnities by this fund.

Transitional Provisions

Certain existing regulations, rules, orders, policies, notices or other instruments in the CSA jurisdictions refer to Former CIPF or the MFDA IPC or both. Following the amalgamation, such references will be treated and interpreted as references to CIPF until the appropriate consequential amendments are implemented, as considered necessary.

Contents of the Notice of Approval

The Notice of Approval has the following components:

- Appendix A – Approval Order for CIPF
- Appendix B – Memorandum of Understanding among the Regulators regarding oversight of CIPF
- Appendix C – Approval and Acceptance Application
    - Schedule 1 – By-Law Number 1 of CIPF
        a. Clean
        b. Blacklined to May 12, 2022 publication
    - Schedule 2 – Coverage Policy
        a. Clean
        b. Blacklined to May 12, 2022 publication
    - Schedule 3 – Claims Procedures
        a. Clean
        b. Blacklined to May 12, 2022 publication
    - Schedule 4 – Appeal Committee Guidelines
        a. Clean
        b. Blacklined to May 12, 2022 publication
    - Schedule 5 – Disclosure Policy
- Appendix D – Summary of and response to public comments.

APPENDIX A

APPROVAL ORDER FOR CIPF

**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
CANADIAN INVESTOR PROTECTION FUND**

**APPROVAL ORDER
(Section 110 of the Regulation and Section 23 of the CFA Regulation;
Section 144 of the Act and Section 78 of the CFA)**

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, hereafter referred to as **Former CIPF**) as a compensation fund for customers of investment fund dealers that were members of the Investment Industry Regulatory Organization of Canada (**IIROC**) (**CIPF Order**).

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**) (**MFDA IPC Order**).

AND WHEREAS following public consultations, the Canadian Securities Administrators (**CSA**) published CSA Position Paper 25-404 – *New Self-Regulatory Organization Framework*, describing the plan to establish a new single enhanced self-regulatory organization that will consolidate the functions of IIROC and the MFDA 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 IIROC and the MFDA have agreed to consolidate their regulatory activities through a legal amalgamation to form the New Self-Regulatory Organization of Canada (**New SRO**),

AND WHEREAS the CSA also recommended combining Former CIPF and the MFDA IPC into a single compensation fund organization, which will be independent from the New SRO.

AND WHEREAS Former CIPF and the MFDA IPC have agreed to consolidate their activities through a legal amalgamation to form the Canadian Investor Protection Fund (**CIPF)**, which was subsequently approved by a vote of their respective members.

AND WHEREAS Former CIPF and the MFDA IPC have applied to the Commission for approval of CIPF as a compensation fund to operate as a successor to Former CIPF and the MFDA IPC following their amalgamation under the *Canada Not-for profit Corporations Act, SC 2009, c. 23.*

AND WHEREAS Former CIPF and the MFDA IPC have also requested the Commission to revoke the approval of Former CIPF and the MFDA IPC as compensation funds, submitting that there is no need to continue the CIPF Order and the MFDA IPC Order, as they will be replaced by this order (**Approval Order**) once it is effective.

AND WHEREAS CIPF will provide protection within prescribed limits to eligible customers of SRO Members, as defined in Schedule A of the 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, CIPF will engage in risk management activities to minimize the likelihood of such losses.

AND WHEREAS upon amalgamation, CIPF 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 CIPF will enter into an agreement with the New SRO, pursuant to which the New SRO will levy assessments on its members and pay to CIPF the amount of these assessments.

AND WHEREAS Former CIPF and the MFDA IPC made representations on behalf of CIPF 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 CIPF (**MOU**) effective January 1, 2023, as amended from time to time.

AND WHEREAS Former CIPF and the MFDA IPC are consolidating through amalgamation to continue as CIPF, references to Former 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 CIPF 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 Former CIPF and the MFDA IPC.

AND WHEREAS based on the representations made by Former CIPF and the MFDA IPC, the Commission is satisfied that approving CIPF as a compensation fund is in the public interest.

AND WHEREAS the Commission has also determined that revocation of the CIPF Order and MFDA IPC Order would not be prejudicial to the public interest.

IT IS ORDERED, under section 110 of the Regulation and under section 23 of the CFA Regulation that CIPF is approved as a compensation fund, subject to the terms and conditions set out in Schedule A to this Approval Order and the applicable provisions of the MOU.

AND IT IS ORDERED, under section 144 of the Act and under section 78 of the CFA, that the Commission revokes the approval of Former CIPF and the MFDA IPC as compensation funds; as a result, the CIPF Order and the MFDA IPC Order cease to have effect upon the effective date of this Approval Order.

Dated October 25, 2022, effective January 1, 2023.

"D. Grant Vingoe"
Board Director / Chief Executive Officer
Ontario Securities Commission

"Kevan Cowan"
Board Director
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 CIPF.

"CIPF 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 CIPF in its sole discretion and, in connection with such coverage, to engage in risk management activities to minimize the likelihood of such losses.

"**Coverage Assets**" means those funds or liquid assets available to CIPF for the protection of customers of the New SRO Members.

"Coverage Policies" include, but are not limited to, the coverage policy, claims procedures, appeal committee guidelines and disclosure policy of CIPF.

"Industry Agreement" means, collectively, (i) the Industry Agreement between Former CIPF and IIROC dated September 30, 2008, as amended from time to time, including an Information Sharing Agreement appended thereto and (ii) a Services Agreement between MFDA and MFDA IPC dated July 1, 2005, as amended from time to time and an Information Sharing Agreement, dated October 1, 2009, as amended from time to time, in each case (a) to which CIPF and New SRO are parties by operation of law, (b) as such agreements have been modified or supplemented by a Transitional Agreement entered into by CIPF and New SRO effective January 1, 2023 and (c) as such agreements may be amended, restated or replaced by any other agreement(s) between CIPF and New SRO regarding the basis on which CIPF provides protection to customers of the New SRO Members.

"Industry Director" has the meaning ascribed to that term in CIPF By-Law Number 1.

"MOU" means the Memorandum of Understanding among the Regulators regarding oversight of CIPF.

"Public Director" has the meaning ascribed to that term in CIPF 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 the 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

CIPF has, and must continue to have, the appropriate authority and capacity to carry out the CIPF Mandate.

3. Approval of Amendments

(a) Prior Commission approval is required for any amendment to the following:

(i) CIPF's Coverage Policies; or

(ii) CIPF'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 CIPF Mandate.

(c) When seeking Commission approval of any amendments or material change pursuant to (a) or (b) above, CIPF 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) CIPF'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 CIPF 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, CIPF 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 CIPF Mandate.

6. Funding and Maintenance of CIPF

(a) CIPF 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) CIPF 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) CIPF 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 CIPF 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 CIPF; and

(ii) balance the need for CIPF 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) CIPF must make all necessary arrangements for the notification to each category of SRO Members of CIPF's assessments and the collection of such assessments, either directly or indirectly through the SRO.

(e) The Board must determine the appropriate level of Coverage 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) CIPF must implement an appropriate accounting system, including a system of internal controls for maintaining CIPF Coverage Assets.

7. Customer Protection

(a) CIPF 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 as detailed in CIPF's Coverage Policies) 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 CIPF. CIPF will respond as quickly as practicable in assessing and paying claims made pursuant to those procedures; and

(iii) allow CIPF 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 CIPF 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 CIPF staff. CIPF 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 CIPF in a court of competent jurisdiction in Canada. CIPF must not contest the jurisdiction of such a court to consider a claim where the claimant has exhausted CIPF's internal appeals or review process.

8. Financial and Operational Viability

CIPF must maintain adequate financial and operational resources, including adequate staff resources or external professional advisers, to permit CIPF 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 CIPF constitutes a reportable condition, as defined in the Industry Agreement.

9. Risk Management

(a) CIPF must ensure that it has policies and procedures, including a process to identify and request all necessary information from the SRO, in order for CIPF to:

(i) fulfill the CIPF Mandate and manage risks to the public and to CIPF assets;

(ii) assess whether the prudential standards and operations of CIPF are appropriate for the coverage provided and the risk incurred by CIPF; and

(iii) identify and deal with SRO Members that may be in financial difficulty.

(b) While CIPF may rely on the SRO to conduct reviews of SRO Members for CIPF purposes, CIPF must reserve the right to conduct reviews of SRO Members in particular situations where CIPF has concerns about the integrity of the Coverage Assets or possible claims.

10. Agreement between CIPF and the SRO

CIPF must comply with the Industry Agreement signed with the SRO.

11. Assistance to the SRO

CIPF must assist the SRO when an SRO Member is in or is approaching financial difficulty. Such assistance will be provided in any way CIPF determines to be appropriate.

12. Collection of Information

Subject to applicable legislation, CIPF must:

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

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

13. Information Sharing and Regulatory Cooperation

(a) CIPF must provide the Commission with reports, documents and information as the Commission or its staff may request.

(b) CIPF shall have mechanisms in place to enable it to share information and otherwise co-operate with the Commission.

14. Ongoing Reporting Requirements

CIPF 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) CIPF will provide the Commission with at least 12 months' written notice prior to completing any transaction that would result in CIPF:

(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 CIPF, the notice period in subsection (a) is considered unreasonable, CIPF 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) CIPF will provide the Commission with at least 60 days' prior written notice before implementing any change to the following:

(i) CIPF's Investment Policies; or

(ii) CIPF's Assessment Policies.

(d) CIPF 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 CIPF By-Law Number 1.

(e) CIPF will provide the Commission with at least 60 days' prior written notice before implementing any material change to CIPF Board's mandate and the Board committees' mandates.

2. Immediate Notification

(a) CIPF will immediately report to the Commission any reportable condition as defined in the Industry Agreement, with respect to an SRO Member of which CIPF has been notified.

(b) CIPF will immediately report to the Commission where the SRO has withdrawn or has been expelled from participation in CIPF. CIPF will include in its report the reasons for the SRO's withdrawal or expulsion.

(c) CIPF will immediately report to the Commission any actual or potential material adverse change in the level of CIPF's assets, together with CIPF's plan to deal with the situation.

3. Prompt Notification

(a) CIPF 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 CIPF's proposed response to ensure resolution, and, if appropriate, provide timely updates:

(i) situations that would reasonably be expected to raise concerns about CIPF'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 CIPF or notification from any Regulator that CIPF 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 CIPF'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, CIPF, the SRO, or the capital markets.

(b) CIPF will prepare and provide to the Commission a report detailing any action taken by CIPF 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 CIPF and any committee or person acting on behalf of such parties.

4. Semi-Annual Reporting

CIPF will file on a semi-annual basis with the Commission a written report pertaining to CIPF'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 CIPF's By-law Number 1.

(c) Any suggestions or comments that CIPF 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 CIPF 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 CIPF's direction and comment on whether CIPF 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 CIPF.

(h) Risk management issues, including how CIPF evaluated risks, what risk management issues were identified and how CIPF dealt with these issues.

(i) The extent and results of any SRO Member reviews conducted pursuant to the Industry Agreement.

(j) CIPF'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

CIPF will file on an annual basis with the Commission a written report pertaining to CIPF'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 CIPF's performance and achievements relative to the CIPF Mandate and strategic plan.

(d) A certification by CIPF's chief executive officer, or other officer, that CIPF is in compliance with the terms and conditions applicable to it in this Approval Order.

6. Financial Reporting

(a) CIPF will file with the Commission unaudited financial statements with notes within 60 days after the end of each financial semi-annual period.

(b) CIPF 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) CIPF 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) CIPF's strategic plan;

(iv) CIPF's annual report; and

(v) material changes to the Board and employee codes of conduct, which include policies for managing conflicts of interest.

(b) CIPF 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) CIPF's ability to carry out the CIPF Mandate;

(ii) SRO Members; and

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

APPENDIX B

**MEMORANDUM OF UNDERSTANDING AMONG
THE REGULATORS REGARDING OVERSIGHT OF CIPF**

**MEMORANDUM OF UNDERSTANDING REGARDING
OVERSIGHT OF THE CANADIAN INVESTOR PROTECTION FUND (CIPF)
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 CIPF as a compensation fund or contingency trust fund; or

(ii) deemed CIPF acceptable as a contingency fund.

b. Oversight Program

To ensure that CIPF 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 CIPF, as set out in section 4;

(ii) oversight reviews of CIPF, 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 CIPF is acting in accordance with the CIPF 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 CIPF are:

(i) Harmonious direction – the Regulators will strive to speak as one when giving direction to CIPF;

(ii) Transparency – each Regulator shares with other Regulators important communications with CIPF 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 CIPF.

d. Previous Memoranda of Understanding

This MOU replaces the memoranda of understanding that took effect on January 1, 2021 between the applicable Regulators in respect of the oversight of the Canadian Investor Protection Fund and the MFDA Investor Protection Corporation.

2. Definitions

"Acceptance Decision" means the decision regarding CIPF 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.

"Amendment" means

(i) any amendment to, or revocation or replacement of, CIPF's Coverage Policies or by-laws; or

(ii) any material change to CIPF's Industry Agreement with the New Self-Regulatory Organization of Canada

for which the Regulators' prior approval is required pursuant to an Approval Order or Acceptance Decision.

"Approval Order" means the approval of CIPF 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 CIPF 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 CIPF Approval Order or Acceptance Decision.

"Industry Agreement" has the meaning ascribed to that term in CIPF Approval Order or Acceptance Decision.

"CIPF Mandate" has the meaning ascribed to that term in CIPF Approval Order or Acceptance Decision.

"Reviewing Regulator" means a Regulator that is participating in an oversight review of CIPF.

"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 CIPF Approval Order or Acceptance Decision.

"SRO Member" has the meaning ascribed to that term in CIPF 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 CIPF.

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 CIPF. The Coordinators must not make any unilateral decision, or give unilateral direction, with respect to CIPF.

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 CIPF 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 CIPF. The purpose is to discuss matters relating to the Oversight Program of CIPF and other matters that are of interest to the Regulators and CIPF. 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 CIPF will be sent to the Coordinators, with a copy to staff of the other Regulators. The Coordinators will request that CIPF 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 CIPF'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 January 1, 2023.

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:_____

MINISTER FOR INTERGOVERNMENTAL AFFAIRS NEWFOUNDLAND AND LABRADOR, OR DESIGNATE

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 CIPF 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 CIPF, or may choose to rely on another Regulator for the review of CIPF. In cases where a Regulator chooses not to review CIPF office in its jurisdiction, the other Regulators may conduct a review of that CIPF office.

Each Regulator may also perform an independent review of CIPF 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 CIPF 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 CIPF to confirm factual accuracy.

9) CIPF will review the draft review report for factual accuracy and respond to the Reviewing Regulators with comments.

10) The Reviewing Regulators will consider CIPF's comments and revise their report as necessary.

11) The Coordinators will send the revised report to CIPF for its formal response.

12) On receipt of CIPF'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 CIPF.

2. Classifying Amendments

(a) **Classification**. CIPF 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, CIPF, 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 CIPF, or

(iii) is necessary to conform CIPF's policies or by-laws to applicable Securities Legislation, statutory or legal requirements, accounting or auditing standards, or to other CIPF policies or by-laws (including those that the Regulators have approved or non-objected to, but which CIPF 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 CIPF incorrectly classified a proposed Amendment as housekeeping, the Regulators and CIPF will use best efforts to adhere to the following:

(i) Within 5 business days of the date of CIPF'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, CIPF.

(iii) If disagreement with the classification still exists after any such discussion, staff of the Coordinators will notify CIPF of the disagreement, in writing, with a copy to staff of the other Regulators within 10 business days of the date of CIPF's filing.

(iv) If staff of the Coordinators send a notice of disagreement to CIPF under paragraph 2(d)(iii), CIPF 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 CIPF does not receive any such notice of disagreement within 10 business days of the date of CIPF's filing, CIPF will assume that staff of the Regulators agree with the classification.

3. Required Filings

(a) **Language requirements**. CIPF 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**. CIPF 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,

(iv) a statement as to whether the proposed Amendment complies with the terms and conditions of CIPF's approval or acceptance,

(v) confirmation that CIPF followed its established internal governance practices in approving the proposed Amendment and considered the need for consequential amendments, and

(vi) a notice for publication including:

(A) a brief description of the proposed Amendment,

(B) the reasons for the housekeeping classification, and

(C) the anticipated effective date of the proposed Amendment.

(c) **Filings for public comment Amendments**. CIPF 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 CIPF 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,

(iv) the items in subparagraphs 3(b)(iv) and (v), and

(v) 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, CIPF and the capital markets generally,

(C) a description of the context in which CIPF developed the proposed Amendment, any relevant issues considered, and any alternative approaches considered,

(D) the anticipated effective date of the proposed Amendment, and

(E) a request for public comment together with details on how to submit comments within the comment period deadline, and a statement that CIPF 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 CIPF 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 CIPF, with a copy to staff of the other Regulators.

(b) **Approval**. Except where notice of disagreement has been sent to CIPF 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 CIPF'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 CIPF, with a copy to staff of the other Regulators.

(b) **Publication and public comment period**. As soon as practicable, staff of the Coordinators and CIPF 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 CIPF) on their respective public websites.

(c) **Publishing and responding to public comments**. CIPF will, as and when they are received, promptly publish any public comments on its public website. CIPF 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 CIPF has received public comments, the Regulators will, upon receipt of CIPF's summary and responses described in subsection 6(c), follow the processes applicable to the review of CIPF responses set out in paragraphs 6(f)(v) through (ix).

(ii) If CIPF 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 CIPF 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 CIPF, with a copy to staff of the other Regulators.

(iv) CIPF 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 CIPF'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, CIPF will follow the process laid out in paragraphs 6(f)(i) to (v) when staff of the Regulators have significant comments on CIPF'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 CIPF, 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 CIPF 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), CIPF 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, CIPF revises a public comment Amendment, CIPF 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 CIPF 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), CIPF'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 CIPF**. Staff of the Coordinators will promptly communicate to CIPF, 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 CIPF under subparagraph 3(c)(iv)(D) or the date as determined by CIPF.

(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 CIPF under subparagraph 3(b)(iv)(C).

(c) **Failing to make an Amendment effective within one year**. CIPF 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) CIPF'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 CIPF will both publish a notice of approval of or non-objection on their respective websites, together with:

(i) if applicable, CIPF'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 CIPF 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 CIPF 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, CIPF or the capital markets generally, CIPF may make the proposed public comment Amendment effective immediately upon approval by the Board, subject to subsection 11(d), and provided that:

(i) CIPF 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) CIPF's written notice in paragraph 11(a)(i) includes:

(A) the date on which CIPF 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, CIPF 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 CIPF 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 CIPF of the disagreement in writing.

(iii) Staff of CIPF 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, CIPF 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 CIPF, 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 CIPF immediately implements in accordance with section 11 will be effective on the later of the following:

(i) the date of the notice provided to CIPF under subsection 11(c),

(ii) the date the Board approves the Amendment, and

(iii) the date designated by CIPF 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 CIPF immediately implemented, CIPF 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 CIPF, 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, CIPF 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 CIPF withdraws a proposed public comment Amendment that the Regulators have not yet approved or non-objected to, CIPF 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 CIPF 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 CIPF 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 CIPF will both publish a notice on their public websites stating that CIPF will be withdrawing the proposed Amendment together with the reasons CIPF 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) **CIPF request**. CIPF 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 CIPF 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.

APPENDIX C

APPROVAL AND ACCEPTANCE APPLICATION

CIPF
Canadian Investor Protection Fund

MFDA
MFDA Investor Protection Corporation

September 30, 2022

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: Canadian Investor Protection Fund / Fonds canadien de protection des investisseurs ("CIPF" or the "Corporation"))

This letter sets out the application of the Canadian Investor Protection Fund ("**Former 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 CIPF, a corporation to be formed by the amalgamation of Former 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 Self-Regulatory Organization of Canada/Nouvel organisme d'autoréglementation du Canada ("**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 CIPF. 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 approval order for CIPF attached as **Appendix A** to the CSA Notice of Approval for this application (the "**CSA Notice**").

The proposed Memorandum of Understanding among the Regulators regarding oversight of CIPF, (the "**MOU**") is attached as **Appendix B** 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. It is intended that the transitional agreement to be entered into between the SROs and the Applicants (as discussed below under Section 9) will, among other things, contemplate that, pending the execution of an updated industry agreement, the existing agreements between them will be interpreted and applied to give effect

to, and otherwise be deemed to reflect, that a dealer that is registered under Canadian securities laws as an investment dealer and as a mutual fund dealer will be considered to be an investment dealer for all purposes of those agreements.

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 CIPF
6. Customer Protection
7. Financial and Operational Viability
8. Risk Management
9. Agreement between CIPF 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. Revocation of Former Approval or Acceptance Orders
16. Submissions

Submitted with this application are the following supporting documents:

Schedule 1 – By-Law No. 1 of CIPF
Schedule 2 – Coverage Policy
Schedule 3 – Claims Procedures
Schedule 4 – Appeal Committee Guidelines
Schedule 5 – Disclosure Policy

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 Former CIPF into a single legal entity (i.e., CIPF) that is independent from New SRO.

Former CIPF and MFDA IPC are both corporations existing under the *Canada Not-for-profit Corporations Act* (the "**CNCA**"). Former CIPF and MFDA IPC have determined that the most effective way to consolidate their operations, while also meeting the CSA's objectives for CIPF, is to amalgamate Former CIPF and MFDA IPC to form CIPF under the CNCA (the "**Amalgamation**").

The Amalgamation will be subject to the terms of an Amalgamation Agreement between Former CIPF and MFDA IPC (the "**Amalgamation Agreement**"), which is discussed in more detail in sections below addressing particular criteria. Since CIPF will be formed by the Amalgamation which cannot become effective until New SRO is formed, approval in respect of CIPF is being sought before CIPF is formed.

2. CORPORATE STRUCTURE AND PURPOSE

Relevant Criteria: ***Authority and Purpose***

> *CIPF has, and must continue to have, the appropriate authority and capacity to carry out the CIPF Mandate.*
>
> ***CIPF 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 CIPF 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 Former CIPF and MFDA IPC to form CIPF under the CNCA. CIPF will be a not-for-profit corporation with no share capital. By adopting a federal not-for-profit corporation structure CIPF 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 CIPF can be best accommodated with the proposed corporate form. Both Former CIPF and MFDA IPC are not-for-profit corporations with no share capital existing under the CNCA.

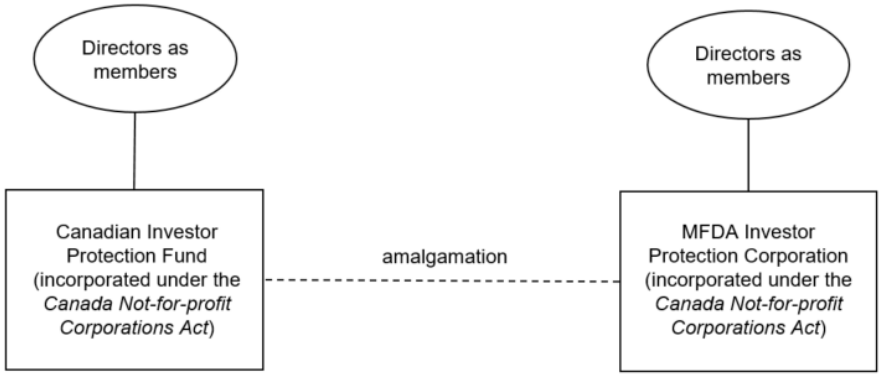
Former CIPF and MFDA IPC have determined that the English name of CIPF will be "Canadian Investor Protection Fund" which is the same as Former CIPF's name. They have also determined that the French name of CIPF will be "Fonds canadien de protection des investisseurs" which is different from Former CIPF's French name, Fonds canadien de protection des épargnants. The Boards of Former CIPF and MFDA IPC decided to maintain the CIPF name (with the slight correction in its French version) in light of the recognition of the name and in an effort to minimize the costs associated with changes to an entirely new name.

2.2 Articles of Amalgamation

The document that will create CIPF is the Articles of Amalgamation. Among other things, the Articles of Amalgamation sets out the purposes of CIPF, giving it the legal authority to carry them out. The proposed form of Articles of Amalgamation will be attached to the Amalgamation Agreement.

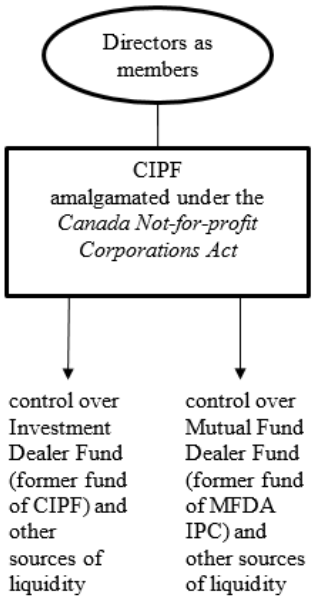
A diagram illustrating the corporate structure before (pre) and after (post) the proposed amalgamation is set out below:

Pre-amalgamation:



Note: Dashed line represents transaction step

Post-amalgamation:



2.3 Purposes of the Corporation

The purposes of CIPF 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 ("SRO Members") of New Self-Regulatory Organization of Canada/Nouvel organisme d'autoréglementation du Canada, as it is currently named or as it may be renamed from time to time, 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) CIPF'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 CIPF 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 CIPF 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 CIPF 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, CIPF will have members rather than shareholders. Section 2.1 of the proposed By-Law No. 1 of CIPF (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 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 CIPF will help ensure its independence from New SRO and is consistent with the membership structure of each of Former 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 CIPF'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 CIPF 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, CIPF 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 CIPF 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 CIPF. 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 CIPF that the director may have. The code of conduct will provide that, apart from a director's interest in contracts or transactions with CIPF, 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 CIPF. 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 CIPF, CIPF 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 of CIPF.

5. FUNDING AND MAINTENANCE OF CIPF

Relevant Criteria: ***Funding and Maintenance of CIPF***

a) *CIPF 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) *CIPF 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) *CIPF 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 CIPF 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 CIPF; and*

(ii) *balance the need for CIPF 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) *CIPF must make all necessary arrangements for the notification to each category of SRO Members of CIPF's assessments and the collection of such assessments, either directly or indirectly through the SRO.*

e) The Board must determine the appropriate level of Coverage 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) CIPF must implement an appropriate accounting system, including a system of internal controls for maintaining CIPF 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 describes the two fund structure of CIPF. Those provisions are set out below with non-substantive conforming changes:

"**Former CIPF Liabilities**" means liabilities, whether accrued, contingent or otherwise, that may be legally enforced against Former 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 Former CIPF Fund net of the Former 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 Former CIPF includes cash, securities and receivables held or maintained by Former CIPF as at the time immediately prior to the Amalgamation for purposes of satisfying claims or potential claims made in accordance with the Former CIPF Coverage Policy (the "**Former CIPF Fund**") and, from and after the effective time of the Amalgamation, the Former CIPF Fund will be designated as (and form part of) the Investment Dealer Fund of CIPF, 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 CIPF.

CIPF 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) Former 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 Former 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.

CIPF 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), CIPF 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, CIPF 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 CIPF 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. CIPF 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, CIPF 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 CIPF and its mandate will provide that the Board will delegate to it the duty to oversee and monitor the methodologies used to determine CIPF's requirements for Coverage Assets and the adequacy of CIPF's available Coverage Assets given the risk exposure associated with the failure of an SRO Member, as well as to oversee and monitor CIPF'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, CIPF will not provide coverage for mutual fund dealer customer accounts located in Québec and SRO Members will not be subject to assessments to contribute to the Mutual Fund Dealer Fund of CIPF 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 CIPF; (ii) establish CIPF's target Coverage Assets; and, (iii) set the level and mix of available Coverage Assets, taking into account the different purposes of CIPF'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 CIPF's Coverage Assets requirements and reviewing the adequacy of CIPF's available Coverage Assets in relation to CIPF's targets, taking into account the different purposes of CIPF'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 CIPF'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) CIPF 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 as detailed in CIPF's Coverage Policies) 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 CIPF. CIPF will respond as quickly as practicable in assessing and paying claims made pursuant to those procedures; and

(iii) allow CIPF 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 CIPF 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 CIPF staff. CIPF 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 CIPF in a court of competent jurisdiction in Canada. CIPF must not contest the jurisdiction of such a court to consider a claim where the claimant has exhausted CIPF'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 proposed Coverage Policies are included with this application:

- Coverage Policy, as **Schedule 2**
- Claims Procedures, as **Schedule 3**
- Appeal Committee Guidelines, as **Schedule 4**
- Disclosure Policy, as **Schedule 5**

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 mutual fund dealer customer accounts located in Québec). 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 mutual fund dealer accounts in Québec.

The Disclosure Policy will describe the requirements, prescribed formats, and acceptable practices for disclosure of CIPF membership by an SRO Member (other than with respect to a mutual fund dealer's customer accounts in Québec). The Disclosure Policy will be part of CIPF Coverage Policies and will be published in the final publication of this Application.

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 CIPF staff. A customer will not be precluded from taking legal action against CIPF where the customer has exhausted CIPF'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***

CIPF must maintain adequate financial and operational resources, including adequate staff resources or external professional advisers, to permit CIPF 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 CIPF 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 CIPF's Coverage Asset requirements and reviewing the adequacy of CIPF's available Coverage Assets in relation to CIPF's target level of Coverage Assets, taking into account the different purposes of CIPF's two separate Funds and associated Coverage Assets.

b) the procedures CIPF will have in place to monitor the adequacy of the New SRO capital requirements for SRO Members, and changes thereto.

c) the procedures CIPF has in place to identify and respond to member firms that may pose a risk to CIPF's available Coverage Assets.

7.2 Assessments

CIPF will levy assessments (including Regular Assessments, Replenishment Assessments, Asset Location Assessments and Additional Assessments) sufficient to meet CIPF's operating costs, to maintain Coverage Assets in the Investment Dealer Fund and the Mutual Fund Dealer Fund and to meet CIPF's obligations, when due, under any credit facility provided to CIPF.

8. RISK MANAGEMENT

Relevant Criteria: ***Risk Management***

a) CIPF must ensure that it has policies and procedures, including a process to identify and request all necessary information from the SRO, in order for CIPF to:

(i) fulfill the CIPF Mandate and manage risks to the public and to CIPF assets;

(ii) assess whether the prudential standards and operations of CIPF are appropriate for the coverage provided and the risk incurred by CIPF; and

(iii) identify and deal with SRO Members that may be in financial difficulty.

b) While CIPF may rely on the SRO to conduct reviews of SRO Members for CIPF purposes, CIPF must reserve the right to conduct reviews of SRO Members, in particular situations where CIPF 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 CIPF an opportunity to comment on any new, amended or deleted Rule. CIPF 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 CIPF of customers of SRO Members and to reduce risk of loss to be covered by CIPF.

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 located in Québec) to adhere to the Rules and to permit the exercise of New SRO's and CIPF'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 customer accounts located in Québec) is considered to be in financial difficulty by CIPF, CIPF 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

CIPF 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 customer accounts located 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

CIPF 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 CIPF and available for review by CIPF; 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 CIPF.

9. AGREEMENT BETWEEN CIPF AND NEW SRO

Relevant Criteria: ***Agreement between CIPF and the SRO***

CIPF must comply with the Industry Agreement signed with the SRO.

9.1 Industry Agreement

The SROs and the Applicants are working on a transitional agreement that preserves the essential elements of the existing agreements between them (modified to accommodate the Amalgamation, the Approval Order, the MOU and consequential changes). It is intended that by December 31, 2023, an updated industry agreement will be executed between New SRO and CIPF.

10. ASSISTANCE TO NEW SRO

Relevant Criteria: ***Assistance to the SRO***

CIPF must assist the SRO when an SRO Member is in or is approaching financial difficulty. Such assistance will be provided in any way CIPF determines to be appropriate.

10.1 Industry Agreement

When an SRO Member (other than mutual fund dealers that exclusively maintain customer accounts located in Québec) is considered to be in financial difficulty by CIPF, CIPF 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, CIPF must:

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

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

11.1 Privacy Policies

CIPF 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) CIPF must provide the Commission[1] with reports, documents and information as the Commission or its staff may request.

b) CIPF shall have mechanisms in place to enable it to share information and otherwise co-operate with the Commission.

[1] "Commission" refers to any Regulator in its draft Approval or Acceptance Order.

12.1 Cooperation with the Commission

CIPF will provide to the Commission such reports, documents and information as the Commission or its staff may request. CIPF 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***

> *CIPF 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

CIPF 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) CIPF's Coverage Policies; or

(ii) [CIPF'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 CIPF Mandate.

c) When seeking Commission approval of any amendments or material change pursuant to (a) or (b) above, CIPF must comply with the processes outlined in Schedule B of the MOU, as amended from time to time.

14.1 Commission Approval

CIPF 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 CIPF Mandate. When seeking such approval, CIPF will comply with the processes outlined in Schedule B of the MOU, as amended from time to time.

15. REVOCATION OF FORMER APPROVAL OR ACCEPTANCE ORDERS

The approval, designation or consideration, as the case may be, of the Regulators in respect of CIPF will become effective on the effective date of the Amalgamation and will fully replace all approval or acceptance orders currently in effect with respect to Former CIPF and MFDA IPC. The Applicants believe that the revocation of the current orders will promote full public transparency and clarity, especially in light of the similarity in name of CIPF with that of Former CIPF. For these reasons, the Applicants respectfully request that this be considered an application for revocation, in accordance with appropriate CSA securities legislation, of all current approval or acceptance orders applicable to the Applicants, effective upon the date of the Amalgamation and the effectiveness of the new Approval Orders.

16. SUBMISSIONS

The Applicants respectfully submit that the proposed structure, policies and operations of CIPF satisfy the Criteria and request that CIPF be approved/accepted as a customer compensation/contingency fund under the Legislation. The Applicants respectfully request that all current approval or acceptance orders applicable to the Applicants be revoked on the effective date of the Amalgamation and the effectiveness of the new Approval Orders. The Applicants consent to the publication of this application by any of the Regulators.

Yours very truly,

"Rozanne Reszel"
President & CEO
Canadian Investor Protection Fund

"Odarka Decyk"
President
MFDA IPC

Schedule 1
By-Law No. 1 of CIPF

Schedule 2
Coverage Policy

Schedule 3
Claims Procedures

Schedule 4
Appeal Committee Guidelines

Schedule 5
Disclosure Policy

SCHEDULE 1

BY-LAW NUMBER 1 OF CIPF

Schedule 1 – By-Law Number 1 of CIPF, clean and blacklined, is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Schedule.

This page intentionally left blank

CANADIAN INVESTOR PROTECTION FUND/FONDS CANADIEN DE PROTECTION DES INVESTISSEURS

BY-LAW NUMBER 1

BE IT ENACTED as a by-law of the Canadian Investor Protection Fund/Fonds canadien de protection des investisseurs, 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 Canadian Investor Protection Fund/Fonds canadien de protection des investisseurs, a corporation 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.

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 New Self-Regulatory Organization of Canada/Nouvel organisme d'autoréglementation du Canada, as it is currently named or as it may be renamed from time to time;

"**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.

~~[English Name for "New IPF"/~~
~~French Name for "New IPF"]~~**CANADIAN INVESTOR PROTECTION FUND/FONDS CANADIEN DE PROTECTION DES INVESTISSEURS**

BY-LAW NUMBER 1

BE IT ENACTED as a by-law of the ~~**[English Name for "New IPF"/French Name for "New IPF"]**~~Canadian Investor Protection Fund/Fonds canadien de protection des investisseurs, 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"]~~Canadian Investor Protection Fund/Fonds canadien de protection des investisseurs, a corporation 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.

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"]~~New Self-Regulatory Organization of Canada/Nouvel organisme d'autoréglementation du Canada, as it is currently named or as it may be renamed from time to time;

"**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 **Error! Reference source not found.**, 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 **Error! Reference source not found.** 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

COVERAGE POLICY

Schedule 2 – Coverage Policy, clean and blacklined, is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Schedule.

This page intentionally left blank

CANADIAN INVESTOR PROTECTION FUND (CIPF)
100 King Street West, Suite 2610, Toronto, Ontario M5X 1E5 Telephone: 416-866-8366 Fax: 416-360-8441

COVERAGE POLICY

A. OVERVIEW

1. CIPF provides coverage to customers of members of New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time ("**New SRO**") accepted for membership in CIPF ("**New SRO Members**") for financial losses in respect of property held in customers' account caused solely by the insolvency of a New SRO Member. CIPF'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. CIPF has discretion in determining the customers eligible for protection and the financial loss covered by CIPF 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. CIPF 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. CIPF 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 CIPF 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. CIPF 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, CIPF 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 CIPF) 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, these Customer Accounts will not be eligible for coverage by CIPF. 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 CIPF ("**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 CIPF 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. CIPF 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 CIPF 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 CIPF 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 CIPF 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 CIPF 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 CIPF.

    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 CIPF has the legal ability to assess New SRO Members for additional contributions, CIPF 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 CIPF may authorize payment (a "**Claim**") shall be determined as at the applicable date of insolvency (as fixed by CIPF 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 CIPF 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 CIPF'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 CIPF 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 CIPF 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 CIPF, 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 CIPF and the maximum limits of such payments shall be in accordance with this Policy. In addition, CIPF 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 CIPF to determine protection by CIPF. CIPF 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 CIPF 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 CIPF of a Claim, the timing of payment and the maximum amounts to be paid to a Customer, the interpretation of CIPF of this Policy shall be final and conclusive. An appeal from a decision of CIPF may be available in accordance with the Claims Procedures.

DATED January 1, 2023

~~[New IPF]~~

CANADIAN INVESTOR PROTECTION FUND (CIPF)

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]~~CIPF provides coverage to customers of members of ~~[~~New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time ("**New SRO**~~]~~") accepted for membership in ~~New IPF~~CIPF ("**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~~CIPF'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~~CIPF has discretion in determining the customers eligible for protection and the financial loss covered by ~~New IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF) 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, these Customer Accounts ~~of Mutual Fund Dealers located in Québec~~ will not be eligible for coverage by ~~New IPF~~CIPF. 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~~CIPF ("**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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF.

    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~~CIPF has the legal ability to assess New SRO Members for additional contributions, ~~New IPF~~CIPF 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~~CIPF may authorize payment (a "**Claim**") shall be determined as at the applicable date of insolvency (as fixed by ~~New IPF~~CIPF 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~~CIPF 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~~CIPF'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~~CIPF 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~~CIPF 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~~CIPF, 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~~CIPF and the maximum limits of such payments shall be in accordance with this Policy. In addition, ~~New IPF~~CIPF 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~~CIPF to determine protection by ~~New IPF.~~ ~~New IPF~~CIPF. CIPF 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~~CIPF 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~~CIPF of a Claim, the timing of payment and the maximum amounts to be paid to a Customer, the interpretation of ~~New IPF~~CIPF of this Policy shall be final and conclusive. An appeal from a decision of ~~New IPF~~CIPF may be available in accordance with the Claims Procedures.

DATED ~~●~~

January 1, 2023

SCHEDULE 3

CLAIMS PROCEDURES

Schedule 3 – Claims Procedures, clean and blacklined, is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Schedule.

This page intentionally left blank

CANADIAN INVESTOR PROTECTION FUND
(CIPF)

Claims Procedures

Dated January 1, 2023

1. *Introduction*

1.1. The Claims Procedures should be read in conjunction with CIPF's "Coverage Policy". The coverage by CIPF of losses suffered by customers of insolvent member of New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time ("**New SRO**") accepted for membership in CIPF ("**New SRO Members**") is at the discretion of CIPF. The Coverage Policy states that CIPF 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), CIPF's interpretation of the Coverage Policy shall be final and conclusive.

1.2. The orders issued by members of the Canadian Securities Administrators approving CIPF as a compensation fund each require CIPF 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 CIPF 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. *CIPF Establishes Date of Insolvency*

2.1. The date at which the financial loss of a customer is determined by CIPF is the date on which CIPF determines, in its discretion, the New SRO Member became insolvent.

2.2. For purposes of CIPF 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 CIPF has information that there are eligible customers of an insolvent New SRO Member that may require CIPF coverage, CIPF 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 CIPF to the extent consistent with the CIPF Coverage Policy.

3.1.3. CIPF 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

[1] For the purposes of these Claims Procedures and CIPF 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.

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, CIPF may settle the losses of eligible New SRO customers by providing the trustee with additional resources, up to the limit of CIPF's coverage, and subject to availability of sufficient CIPF 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 CIPF 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 Designated 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]

3.1.5. Payments made to customers may be made by CIPF 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 CIPF.

3.2.1.1. Identification of Claims Against the Estate

- CIPF 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 CIPF. This may be by a notice on the final customer account statement, a letter from CIPF, notices in the media, or any other means deemed appropriate by CIPF given the circumstances of the insolvency. CIPF may also rely on the New SRO Member's primary regulator to notify customers on CIPF's behalf.
- Customers requesting compensation from CIPF must submit a proof of claim to CIPF along with all documents and information to support the claim within 180 days of the date of insolvency.

3.2.1.2. Claim Information

[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 eligible for CIPF 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.

- The information required to make a claim, including a proof of claim form, will be available from the CIPF website or upon request. Customers should refer to the Coverage Policy to determine if their claim is eligible for payment by CIPF before submitting a claim.
- CIPF 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

- CIPF 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

- CIPF 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 CIPF will use its reasonable efforts to collect the available information required to assess the eligibility of the claim for CIPF coverage.
- CIPF 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, CIPF may assess the claim based on the information in its possession.
- Prior to deciding on a claim, CIPF 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, CIPF 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.

3.2.1.5. Claims Decisions

3.2.1.5.1 Claims Eligible for Payment

- CIPF 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, CIPF requires a signed agreement in prescribed form by which the claimant subrogates the claim to CIPF before payment is made by CIPF to the claimant.
- A customer can request changes to the form of subrogation agreement, but any such requests must be approved by CIPF and the customer will be obligated to reimburse CIPF 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 CIPF 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, CIPF 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

- CIPF will advise the customer in writing of its decision on the claim eligibility for payment including the reasons.
- If CIPF determines that the claim is not eligible for coverage, it will advise the customer that CIPF'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 CIPF 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 CIPF. Notwithstanding the provisions of these Claims Procedures and their application, whether or not a trustee has been appointed, CIPF 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. CIPF will acknowledge all appeals, and the format of appeal elected, in writing as received.

4.1.2 CIPF 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 CIPF 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 CIPF 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 CIPF 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 CIPF staff or the customer. CIPF 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 CIPF.

4.2 Appeal Deliberations

4.2.1 The Appeal Committee will conduct its deliberations and make its determination in the absence of CIPF 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 CIPF 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 CIPF with a signed agreement in prescribed form by which the claimant subrogates the claim to CIPF before payment is made by CIPF 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 CIPF and the customer will be obligated to reimburse CIPF 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 CIPF 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 Designated 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, CIPF 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.

~~[NEW IPF]~~CANADIAN INVESTOR PROTECTION FUND (CIPF)]

Claims Procedures

Dated ● January 1, 2023

1. *Introduction*

1.1. The Claims Procedures should be read in conjunction with ~~New IPF~~CIPF's "Coverage Policy". The coverage by ~~New IPF~~CIPF of losses suffered by customers of insolvent member of New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time ("New SRO") accepted for membership in ~~New IPF~~CIPF ("**New SRO Members**") is at the discretion of ~~New IPF~~CIPF. The Coverage Policy states that ~~New IPF~~CIPF 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~~CIPF'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~~CIPF as a compensation fund each require ~~New IPF~~CIPF 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~~CIPF 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~~*CIPF Establishes Date of Insolvency*

2.1. The date at which the financial loss of a customer is determined by ~~New IPF~~CIPF is the date on which ~~New IPF~~CIPF determines, in its discretion, the New SRO Member became insolvent.

2.2. For purposes of ~~New IPF~~CIPF 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~~CIPF has information that there are eligible customers of an insolvent New SRO Member that may require ~~New IPF~~CIPF coverage, ~~New IPF~~CIPF 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~~CIPF to the extent consistent with ~~New IPF's~~the CIPF Coverage Policy.

3.1.3. ~~New IPF~~CIPF will work with the trustee to ensure that proved claims of eligible New SRO customers that have demonstrated that they will suffer undue

[1] For the purposes of these Claims Procedures and ~~New IPF~~CIPF 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.

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~~CIPF may settle the losses of eligible New SRO customers by providing the trustee with additional resources, up to the limit of ~~New IPF~~CIPF's coverage, and subject to availability of sufficient ~~New IPF~~CIPF 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~~CIPF 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 Designated 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]

3.1.5. Payments made to customers may be made by ~~New IPF~~CIPF 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~~CIPF.

3.2.1.1. Identification of Claims Against the Estate

- ~~New IPF~~CIPF 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~~CIPF. This may be by a notice on the final customer account statement, a letter from ~~New IPF~~CIPF, notices in the media, or any other means deemed appropriate by ~~New IPF~~CIPF given the circumstances of the insolvency. ~~New IPF~~CIPF may also rely on the New SRO Member's primary regulator to notify customers on ~~New IPF~~CIPF's behalf.
- Customers requesting compensation from ~~New IPF~~CIPF must submit a proof of claim to ~~New IPF~~CIPF along with all documents and information to support the claim within 180 days of the date of insolvency.

3.2.1.2. Claim Information

[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 eligible for ~~New IPF~~CIPF 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.

- The information required to make a claim, including a proof of claim form, will be available from the ~~New IPF~~CIPF website or upon request. Customers should refer to the Coverage Policy to determine if their claim is eligible for payment by ~~New IPF~~CIPF before submitting a claim.
- ~~New IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF will use its reasonable efforts to collect the available information required to assess the eligibility of the claim for ~~New IPF~~CIPF coverage.
- ~~New IPF~~CIPF 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~~CIPF may assess the claim based on the information in its possession.
- Prior to deciding on a claim, ~~New IPF~~CIPF 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~~CIPF 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.

3.2.1.5. Claims Decisions

3.2.1.5.1 Claims Eligible for Payment

- ~~New IPF~~CIPF 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~~CIPF requires a signed agreement in prescribed form by which the claimant subrogates the claim to ~~New IPF~~CIPF before payment is made by ~~New IPF~~CIPF to the claimant.
- A customer can request changes to the form of subrogation agreement, but any such requests must be approved by ~~New IPF~~CIPF and the customer will be obligated to

reimburse ~~New IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF will advise the customer in writing of its decision on the claim eligibility for payment including the reasons.
- If ~~New IPF~~CIPF determines that the claim is not eligible for coverage, it will advise the customer that ~~New IPF~~CIPF'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~~CIPF 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~~CIPF. Notwithstanding the provisions of these Claims Procedures and their application, whether or not a trustee has been appointed, ~~New IPF~~CIPF 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~~CIPF will acknowledge all appeals, and the format of appeal elected, in writing as received.

4.1.2 ~~New IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF staff or the customer. ~~New IPF~~CIPF 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~~CIPF.

4.2 Appeal Deliberations

4.2.1 The Appeal Committee will conduct its deliberations and make its determination in the absence of ~~New IPF~~CIPF 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~~CIPF 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~~CIPF with a signed agreement in prescribed form by which the claimant subrogates the claim to ~~New IPF~~CIPF before payment is made by ~~New IPF~~CIPF 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~~CIPF and the customer will be obligated to reimburse ~~New IPF~~CIPF 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~~CIPF 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 Designated 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~~CIPF 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

APPEAL COMMITTEE GUIDELINES

Schedule 4 – Appeal Committee Guidelines, clean and blacklined, is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Schedule.

CANADIAN INVESTOR PROTECTION FUND

Guidelines for Canadian Investor Protection Fund ("CIPF") Appeal Committees Hearings
Dated January 1, 2023

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 CIPF 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 CIPF 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 CIPF as well as individuals external to CIPF.

8. Each member of an Appeal Committee (a "**Committee Member**") will be:

   a) either:

      i) a Director of CIPF who was not involved in the initial claim decision; or

      ii) an adjudicator appointed by the CIPF 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 CIPF Board of Directors, through the CIPF Coverage Committee, a subcommittee of the CIPF 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 CIPF 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) CIPF 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 CIPF Board of Directors, an Appeal Committee may engage independent legal counsel (to be compensated by CIPF) 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 CIPF Coverage Policy and accords with the law.

15. Independent legal counsel will act independently of the customer and CIPF 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 CIPF 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 CIPF 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 CIPF 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) CIPF'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 CIPF Coverage Policy;

    b) the CIPF Claims Procedures;

    c) Guidelines for the CIPF 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 CIPF 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 CIPF 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, CIPF 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 CIPF 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 CIPF 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 CIPF 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 CIPF 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 CIPF 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 CIPF Coverage Policy and CIPF 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 CIPF Board of Directors, will advise the customer and CIPF 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 CIPF Board of Directors, will provide the customer and CIPF staff with written reasons for the decision of an Appeal Committee.

~~[NEW IPF]~~

CANADIAN INVESTOR PROTECTION FUND

Guidelines for ~~[New IPF]~~Canadian Investor Protection Fund ("~~New IPF~~CIPF") Appeal Committees Hearings
Dated ●January 1, 2023

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~~CIPF 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~~CIPF 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~~CIPF as well as individuals external to ~~New IPF~~CIPF.

8. Each member of an Appeal Committee (a "**Committee Member**") will be:

~~First Canadian Place, 100 King Street West~~
~~Suite 2610, P.O. Box 481, Toronto, Ontario, Canada M5X 1E5~~ ~~[Insert New IPF CIPF logo]~~
~~T 416 866 8366 Toll Free 1 866 243 6981~~
~~F 416 360 8441~~
~~[insert New IPF CIPF website]~~

a) either:

i) a Director of ~~New IPF~~CIPF who was not involved in the initial claim decision; or

ii) an adjudicator appointed by the ~~New IPF~~CIPF 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~~CIPF Board of Directors, through the ~~New IPF~~CIPF Coverage Committee, a subcommittee of the ~~New IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF Board of Directors, an Appeal Committee may engage independent legal counsel (to be compensated by ~~New IPF~~CIPF) 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~~CIPF Coverage Policy and accords with the law.

15. Independent legal counsel will act independently of the customer and ~~New IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF'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~~CIPF Coverage Policy;

b) the ~~New IPF~~CIPF Claims Procedures;

c) Guidelines for the ~~New IPF~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF 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~~CIPF Coverage Policy and ~~New IPF~~CIPF 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~~CIPF Board of Directors, will advise the customer and ~~New IPF~~CIPF 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~~CIPF Board of Directors, will provide the customer and ~~New IPF~~CIPF staff with written reasons for the decision of an Appeal Committee.

This page intentionally left blank

SCHEDULE 5

DISCLOSURE POLICY

Schedule 5 – Disclosure Policy is reproduced on the following internally numbered pages. Bulletin pagination resumes at the end of the Schedule.

1. PURPOSE

This Disclosure Policy (Policy) describes the requirements, prescribed formats, and acceptable practices for disclosure of CIPF coverage for customers of members ("**New SRO Members**") of New Self-Regulatory Organization of Canada, as it is currently named or as it may be renamed from time to time ("**New SRO**"), all as required by the Corporation Investment Dealer and Partially Consolidated Rule 2284, Mutual Fund Dealer Rule 5.3.2(e) and MSN-0083, or their respective successor rule(s).

2. GENERAL PRINCIPLES

a. The specific disclosure requirements prescribed by this Policy are informed by the following general principles which are intended to serve as guidance for New SRO Members in their reasonable efforts to comply with the specific requirements of this Policy set forth in Parts A to C below:

   i. A New SRO Member must disclose membership in CIPF to its customers.

   ii. A New SRO Member must expressly refer its customers to the CIPF Coverage Policy for the scope of coverage as well as limitations and exclusions to such coverage.

   iii. A New SRO Member must disclose to its customers whether the Investment Dealer Fund or the Mutual Fund Dealer Fund identified in the CIPF Coverage Policy will be available to satisfy claims of its customers in the event of an insolvency of the member firm.

   iv. A New SRO Member must not refer to CIPF membership in connection with an activity for which CIPF coverage is not available.

   v. Where practical, communication about CIPF coverage must be done in the same language as other communication from the member firm to the customer.

   vi. A New SRO Member must not make any false, misleading or deceptive statements about the nature or scope of coverage provided by CIPF, including CIPF membership.

3. APPLICATION

a. Parts A and C apply to those New SRO Members registered under Canadian securities legislation in the category of "investment dealer" or in the categories of both "investment dealer" and "mutual fund dealer" and required to comply with this Policy.

b. Parts B and C apply to those New SRO Members duly registered under Canadian securities legislation only in the category of "mutual fund dealer" and required to comply with this Policy.

PART A – INVESTMENT DEALERS AND DUAL REGISTRANTS

4. CIPF MEMBERSHIP IDENTIFIER

a. The CIPF Membership Identifier means either the graphic or text versions prescribed in **Appendix A**.

b. The CIPF Membership Identifier must be displayed so that it is clearly visible and legible, with:

   i. a good contrast to the background, to ensure maximum impact and accessibility; and

   ii. a clear surrounding area without graphic elements or text.

c. The graphic version of the CIPF Membership Identifier:

   i. must be produced from a digital master reference available from CIPF; and

   ii. must not have its design altered in any way, but may be altered with respect to its overall size, providing the relative proportions and colours are maintained and the content is clearly visible and legible.

d. The CIPF Membership Identifier is optional on written, visual and audio advertising, including social media, provided that any such use of the CIPF Membership Identifier does not give an impression that CIPF endorses a particular investment product.

5. WEBSITES

a. Each New SRO Member must display the CIPF Membership Identifier and a link to the CIPF website (www.cipf.ca) on the New SRO Member's main homepage, provided that its use is in compliance with the General Principles of this Policy.

b. Where a New SRO Member's website is part of a combined financial institution group website or where a New SRO Member employs dually employed representatives[1], the CIPF Membership Identifier is to be displayed only on the webpages within the website that relate to activities for which CIPF coverage is available, subject to the exception in subsection 5(b)(i).

   i. The CIPF Membership Identifier may be displayed as part of a banner that is included across multiple or all webpages within the website, provided that those webpages that relate to activities for which CIPF coverage is not available (determined with reference to the CIPF Coverage Policy) include clear and visible disclosure indicating that CIPF coverage does not apply.

c. The CIPF Membership Identifier is permitted on a New SRO Member's trade name's website provided that:

   i. it is not a separate legal entity from the New SRO Member;

   ii. the full legal name of the New SRO Member is also clearly visible; and

   iii. the use of the CIPF Membership Identifier is in compliance with the General Principles of this Policy.

[1] Individuals dually employed by a New SRO Member and another financial services entity, such as an entity regulated by a securities regulatory authority or by another Canadian financial services regulatory regime such as banking, insurance, deposit-taking or mortgage brokerage activities.

6. CIPF DECAL

a. The CIPF Decal is the decal prescribed in **Appendix B** and is available to order on the CIPF website (www.cipf.ca) at the expense of the member firm.

b. The CIPF Decal must:

i. be clearly visible to customers at each business location to which customers, or potential customers, have access;

ii. be placed on a door, window, in a plaque on a counter or other similar visible surface;

iii. be displayed in the same manner and adjacent to such other sign or symbol of membership or affiliation with a self-regulatory organization;

iv. not be placed in a manner that would cause, or be reasonably expected to cause, customers of another financial services entity to believe that they are entitled to CIPF coverage if they are not,[2] such as in the case of a shared premise or where premises are used by dually employed representatives[3]; and

v. be removed from vacated premises.

c. The CIPF Decal is not required to be displayed until 30 days after the first day of operation as a member firm.

7. CIPF EXPLANATORY STATEMENT

a. The CIPF Explanatory Statement must be 7(a)(i) or 7(a)(ii), each of which have two variations (in square brackets) for text in the second sentence:

i. Customers' accounts are protected by the CIPF's Investment Dealer Fund in accordance with its Coverage Policy. A brochure describing the scope and nature of coverage, as well as the limitations and exclusions of coverage, is available [[upon request] or [upon request or at www.cipf.ca]].

ii. Customers' accounts at New SRO Dealer Member are protected by the CIPF's Investment Dealer Fund in accordance with its Coverage Policy. A brochure describing the scope and nature of coverage, as well as the limitations and exclusions of coverage, is available [[upon request] or [upon request or at www.cipf.ca]].

8. CIPF OFFICIAL BROCHURE

a. The CIPF Official Brochure means any publication authorized and prescribed by CIPF in **Appendix C**.

b. The CIPF Official Brochure must:

i. be provided in its most current electronic or hard copy form to all new customers at the time of account opening and to all other customers upon request;

---

[2] Compliance with this requirement will be determined by CIPF with consideration to what is reasonable given the specific circumstances of a New SRO Member.
[3] *Supra* note 1.

ii. be ordered in accordance with instructions found on the CIPF website (www.cipf.ca);

iii. be imprinted with the legal name of the New SRO Member; and

iv. not be altered in any way, unless approved by CIPF in advance.

c. New SRO Members may provide customers with an electronic or hard copy of the CIPF Official Brochure as part of a customer application package if:

i. the New SRO Member does not change any aspect of the CIPF Official Brochure;

ii. the pages of the CIPF Official Brochure are not presented on the same page as other content in the customer application package; and

iii. the CIPF Official Brochure is imprinted, stamped or printed with the legal name of the New SRO Member and its designation as a participant of the Investment Dealer Fund.

9. REQUIREMENTS FOR CONFIRMATIONS AND ACCOUNT STATEMENTS

a. Each New SRO Member must include the following, in legible print, on all confirmations and account statements made available to customers:

i. the CIPF Membership Identifier on the front page, and

ii. the CIPF Explanatory Statement.

b. Where a New SRO Member has entered into a service arrangement with a registered portfolio manager to provide custodial services to the portfolio manager and its customers, the following additional requirements apply to account statements:

i. The following disclosure must be placed prominently on the front page of the account statement:

This statement is being issued to you by [Dealer Member name]. [Dealer Member name] has agreed to act as the custodian for the assets disclosed on this statement. The assets that may be eligible for CIPF coverage, within specified limits, are limited to those disclosed in this account statement.

ii. Where the New SRO Member also includes the portfolio manager's contact information on the account statement:

(1) The portfolio manager's contact information must appear on the statement as follows:

Portfolio manager contact information:

- [Individual representative name and contact details]
- [Firm name and contact details]

(2) The New SRO Member must not place the portfolio manager's contact information near the New SRO logo or CIPF Membership Identifier (i.e. directly above, below or beside it), or in a manner that suggests or implies that CIPF coverage applies to losses arising from the insolvency of a portfolio manager.

PART B – MUTUAL FUND DEALERS

10. REQUIREMENTS FOR ACCOUNT STATEMENTS

a. Each New SRO Member must include the following CIPF Explanatory Statement, in legible print, on all account statements made available to customers:

   i. Customers' accounts are protected by the CIPF's Mutual Fund Dealer Fund within specific limits. Mutual fund dealer customer accounts located in Québec will not be eligible for coverage by CIPF. Please refer to the CIPF Coverage Policy on the website at www.cipf.ca for a description of the nature and limits of coverage, or contact CIPF at 1-866-243-6981.

PART C – ALL NEW SRO MEMBERS

11. DISCLOSURE ABOUT CIPF BY NEW SRO MEMBER OR RELATED PARTY

a. Any disclosure about CIPF created by a New SRO Member for broad distribution,[4] other than what is permitted under this Policy, must be approved by CIPF in advance.

b. A New SRO Member is not permitted to make any reference to a third party about its CIPF risk classification (if any).

c. A New SRO Member must notify CIPF if it discovers that any non-New SRO Member[5] with which it has a relationship is making any false, misleading or deceptive statements about the nature or scope of coverage (or the limitations and exclusions from coverage) provided by CIPF, including CIPF membership.

d. Subsections 11(a) to (c) include disclosures about CIPF at physical premises, electronic business sites, including social media, and advertisements.

12. SUSPENSION OR TERMINATION OF MEMBERSHIP

a. Upon suspension or termination of New SRO membership, each New SRO Member must immediately cease any use of the CIPF Explanatory Statement, the CIPF Official Brochure, the CIPF Membership Identifier and the CIPF Decal, and cease otherwise identifying itself as a member of CIPF.

13. IMPLEMENTATION

a. This Policy shall be effective January 1, 2023.

b. Each New SRO Member shall be required to comply with all provisions of this Policy no later than December 31, 2024 (other than New SRO Members granted membership on or after January 1, 2023, who shall be required to comply with all provisions of this Policy upon the earlier of the date such membership is granted and June 30, 2023). Pending compliance with each provision of this Policy:

---

[4] For clarity, disclosures on a website and social media are considered created by a New SRO Member for broad distribution.

[5] A non-New SRO Member includes a financial services entity regulated by a securities regulatory authority or by another Canadian financial services regulatory regime such as banking, insurance, deposit-taking or mortgage brokerage activities.

i. each New SRO Member shall continue to comply with the corresponding provision of the disclosure policy or requirements of CIPF's predecessor applicable to the New SRO Member immediately prior to the effective date of this Policy; and

ii. all references in each New SRO Member's disclosure, website and documentation to a predecessor of CIPF shall be deemed to be a reference to CIPF.

14. EXEMPTIONS

a. Requests for exemption from any requirements of this Policy or its prescribed formats can be made by filling out the form available on the CIPF website at www.cipf.ca and submitting it to info@cipf.ca.

PRESCRIBED FORMATS OF THE CIPF MEMBERSHIP IDENTIFIER

1. The following are the designated forms of the CIPF Membership Identifier:
   a. Graphic versions (available in .eps, .jpeg, and .gif formats):
      i. 

      ii. 

      iii. 

      iv. 

      v. 

   b. Text versions:
      i. Member – Canadian Investor Protection Fund
      ii. Membre – Fonds canadien de protection des investisseurs

iii. Member of the Canadian Investor Protection Fund

iv. Membre du Fonds canadien de protection des investisseurs

v. <<Insert Your Dealer Member Name Registered with New SRO>> is a Member of the Canadian Investor Protection Fund

vi. << Insérez la dénomination de votre courtier membre telle qu'elle apparaît dans les registres du Nouvel OAR>> est membre du Fonds canadien de protection des investisseurs

vii. Member – Canadian Investor Protection Fund / Membre – Fonds canadien de protection des investisseurs

viii. Membre – Fonds canadien de protection des investisseurs / Member – Canadian Investor Protection Fund

ix. Member of the Canadian Investor Protection Fund / Membre du Fonds canadien de protection des investisseurs

x. Membre du Fonds canadien de protection des investisseurs / Member of the Canadian Investor Protection Fund

xi. <<Insert Your Dealer Member Name Registered with New SRO>> is a Member of the Canadian Investor Protection Fund / Fonds canadien de protection des investisseurs

xii. << Insérez la dénomination de votre courtier membre telle qu'elle apparaît dans les registres du Nouvel OAR >> est membre du Fonds canadien de protection des investisseurs / Member of the Canadian Investor Protection Fund

2. The graphic versions of the CIPF Membership Identifier must only appear in the following three colour variants:

   a. Black

   b. Reverse white (white on a coloured background, which may be either black or a colour consistent with the colour scheme used in the member firm's document)

   c. Black and taupe (PMS 7530)

PRESCRIBED FORMATS OF THE CIPF DECAL

1. The CIPF Decal contains the CIPF Membership Identifier and an area for imprinting the member firm's legal entity name.

2. The CIPF Decal is 4 inches or 102 millimetres wide by 6 inches or 152 millimetres high.

PRESCRIBED FORMATS OF THE CIPF OFFICIAL BROCHURE

1. The following are the designated forms of the CIPF Official Brochure:

   a. Electronic version – A New SRO Member must purchase a PDF version imprinted with the legal name of the New SRO Member in accordance with instructions found on the CIPF website (www.cipf.ca). A New SRO Member must not change any aspect of the imprinted PDF version so purchased.

   b. Hard copy version – A New SRO Member has the option of printing a PDF version of the purchased electronic brochure or purchasing either blank or imprinted hard copies in accordance with instructions found on the CIPF website (www.cipf.ca).

      i. A New SRO Member must not change any aspect of the printed hard copy of the PDF version.

      ii. Blank hard copies must be stamped or printed by the member firm with the legal name of the New SRO Member and its designation as a participant of the Investment Dealer Fund or the Mutual Fund Dealer Fund, in the white space on the back of the CIPF Official Brochure.

      iii. Imprinted hard copies must include the legal name of the New SRO Member and its designation as a participant of the Investment Dealer Fund or the Mutual Fund Dealer Fund, and may include the New SRO Member's logo and/or address.

APPENDIX D

SUMMARY OF AND RESPONSE TO PUBLIC COMMENTS

Summary of Comments Relating to CSA Staff Notice and Request for Comment 25-305 – *Application for Approval of the New Investor Protection Fund*

This Appendix summarizes the written public comments the CSA received in response to the Application for Approval of the New Investor Protection Fund ("New IPF") and the responses of the CSA and of CIPF and MFDA IPC (the "IPFs") to those comments. Out of the [12] comment letters received, [10] were from industry stakeholders (including registrants, industry associations), and [2] were from non-industry stakeholders (including investor advocates, academics and others). The public comments demonstrated the continued overall support for the New SRO framework adopted by the CSA as outlined in the CSA Position Paper 25-404 *New Self-Regulatory Organization Framework* (**CSA Position Paper**). The CSA and IPFs thank all the stakeholders for participating and providing meaningful commentary, which is summarized and responded to below. Staff from the CSA and IPFs worked collaboratively to produce the summaries and responses, which are categorized by common themes for ease of reference.

This Appendix contains the following sections:

1. Comments and responses on the scope of the Coverage Policy
2. Comments and responses on the implications for investors in Québec as it relates to coverage under the *Fonds d'indemnisation des services financiers*
3. Comments and responses on general matters

1. Comments and responses on the scope of the Coverage Policy

Coverage Limits

A commenter recommended that a periodic review of the $1 million compensation cap be implemented to ensure it continues to fulfill its intended purpose.

The IPFs acknowledge the concerns expressed in relation to the continued appropriateness of the $1 million compensation cap in light of its intended purpose. New IPF, like its predecessors, will undertake regular reviews and assessments of the scope and terms of its coverage policy (and, in that context, will bear such considerations in mind).

Exclusion of crypto assets

Certain commenters submitted that crypto assets, crypto contracts and other crypto-related property should be eligible for New IPF coverage (suggesting that the exclusion of crypto property from coverage represented an amendment to the current coverage policies).

The exclusion of crypto assets in New IPF's Coverage Policy reflects and is consistent with CIPF's current position. The exclusion of crypto property from coverage has been the subject of numerous discussions among regulators, CIPF and crypto industry participants in the context of regulatory applications submitted by crypto industry participants for necessary exemptive relief and is accordingly reflected in exemptive relief decisions issued by CSA members to date, including those of each member of the CSA in the matter of Fidelity Canada ULC dated November 16, 2021. The exclusion of crypto assets from coverage was also expressly addressed in the 2021 CIPF Annual Report.

Like its predecessors, New IPF will undertake regular reviews of the scope and terms of the Coverage Policy, including coverage of crypto assets and other new products.

2. Comments and responses on the scope of coverage, including implications for investors in Québec as it relates to coverage under the *Fonds d'indemnisation des services financiers* (FISF)

Duplication of assessments

A commenter noted that Québec registrants will be faced with duplication of costs, having to contribute to both protection funds once the transition period is over.

The New IPF and the AMF will work together to avoid any duplication of costs for registrants, while avoiding gaps in coverage, both for the transitory and the permanent phase of the AMF's proposed transition plan for mutual fund dealers in Québec. The requirement for Québec MFDs to contribute to the FISF is a legal requirement set out by the *Securities Act*, CQLR, c. V-1.1 and any modifications to this requirement would require a legislative change. Furthermore, the New IPF will not assess mutual fund dealers operating in Québec in respect of customer accounts located in Québec during the transitory phase of the AMF's proposed transition plan for mutual fund dealers in Québec.

Moreover, as indicated in the CSA Position Paper, harmonization of protection fund coverage will be evaluated at a later phase: *"In the second phase, when consideration is given to assessing the feasibility of incorporating other registration categories within the one SRO framework, consideration will also be given to the possibility of providing coverage to clients of the other registration categories and harmonizing the consolidated protection fund with the FISF."*

Future consultation

Certain commenters encouraged the CSA to hold a separate consultation on protection funds and the scope of coverage, in the interest of fairness for consumers and mutual fund dealers in Québec. A commenter further suggested a freeze in contributions to New IPF by mutual fund dealers in Québec pending such consultation.

The need for further consultations is being evaluated with regards to the coverage offered in Québec for mutual fund dealer activities. Per the CSA Position Paper, harmonization of protection fund coverage will be evaluated at a later phase: *"In the second phase, when consideration is given to assessing the feasibility of incorporating other registration categories within the one SRO framework, consideration will also be given to the possibility of providing coverage to clients of the other registration categories and harmonizing the consolidated protection fund with the FISF".*

Initially, New IPF will not assess mutual fund dealers operating in Québec in respect of customer accounts located in Québec and coverage will not be provided in respect of such customer accounts by New IPF.

Harmonization of coverage

Certain commenters noted the importance of the completion of the financing structure of the protection funds and of the alignment of coverage granted to investors in all Canadian jurisdictions (rather than maintaining separate funds).

The IPFs note that during a transition period following the formation of New IPF, New IPF will conduct an analysis of the insolvency risks for different types of dealers and based on that analysis will further develop its assessment methodologies and review its liquidity sources. During this transition period, CSA approval will be required for any change in the formula(s) or methodology(ies) for, or principles governing, the assessment to be levied by New IPF, where such change could result in a material increase in the assessment(s) to be levied. Once New IPF has completed its assessment of the insolvency risks of various dealer categories and has developed appropriate assessment methodologies, it will consider whether to merge the funds maintained for clients of investment dealers and clients of mutual fund dealers.

One commenter urged the consolidation of the investor protection fund coverage functions in Québec to be consistent with coverage in other Canadian jurisdictions.

One commenter noted that clients of mutual fund dealers in each province and territory, other than Québec, and clients of investment dealers in each province and territory (including Québec) will have the benefit of coverage from New IPF in accordance with its coverage policy, while clients of mutual fund dealers in Québec will continue to have the benefit of coverage from FISF. The commenter noted that the types of risks covered by the FISF, namely fraud, fraudulent tactics and embezzlement, are not the same risks as those that will be covered by New IPF, namely insolvency.

A number of commenters suggested that New IPFs coverage policies should be extended to customers who suffer a loss as a result of fraud or other misconduct involving a dealer.

The IPFs acknowledge the fact that the coverage to be offered by New IPF, and as currently offered by the MFDA IPC and CIPF, is different than the coverage currently offered by the FISF in certain respects. The aim of New IPF will be to maintain the coverage currently available to investors in each jurisdiction upon its formation in order to maintain the status quo in the interim.

The IPFs further acknowledge that the coverage policies of CIPF and MFDA IPC do not provide coverage for loss due to financial fraud or other misconduct involving a dealer that is not insolvent. Rather, their coverage policies provide coverage in the event of a loss due to the insolvency of a dealer, whether or not financial fraud of a dealer contributed to the loss. In the event of a loss due to financial fraud involving a dealer, a client's recourse is expected to be against the dealer, assuming the dealer is not insolvent. Clients of mutual fund dealers in Québec may also have a claim against the FISF to the extent permitted by its coverage policy. New IPF, like its predecessors, will undertake regular reviews and assessments of the scope and terms of its coverage policy, including the risks covered.

New IPF will respond to and participate in regulatory initiatives seeking to harmonize coverage in all Canadian jurisdictions.

As stated in the CSA Position Paper, harmonization of protection fund coverage will be evaluated at a later phase of the project: "*In the second phase, when consideration is given to assessing the feasibility of incorporating other registration categories within the one SRO framework, consideration will also be given to the possibility of providing coverage to clients of the other registration categories and harmonizing the consolidated protection fund with the Fonds d'indemnisation des services financiers in Québec.*"

3. Comments and responses on general matters

A commenter recommended continued use of the name “CIPF” to minimize client and dealer operational disruption.

The IPFs have determined that the English name of New IPF will be “Canadian Investor Protection Fund” which is the same as CIPF’s name. They have also determined that the French name of New IPF will be “Fonds canadien de protection des investisseurs” which is different from CIPF’s current French name, Fonds canadien de protection des épargnants. The Boards of the IPFs decided to maintain the CIPF name (with the slight correction in its French version) in light of the recognition of the name and in an effort to minimize the costs associated with changes to an entirely new name.

Documentation

A commenter recommended that current references in firms’ documents CIPF and MFDA IPC should remain as is pending finalization of both the names of the new investor protection fund (New IPF) followed by a transition period of 18 months to amend documents to reflect the name of New IPF, while another commenter advocated for transitional grace periods designed to ensure orderly and efficient transition to the name and logo of New IPF in all client facing disclosures, documents and signage.

The IPFs have considered the commenters’ concerns. While New IPF’s Disclosure Policy will become effective on January 1, 2023, the policy will include transitional provisions. New SRO members will be required to comply with all provisions of New IPF’s Disclosure Policy no later than December 31, 2024 (other than members granted membership after January 1, 2023, who shall be required to comply with all provisions of New IPF’s Disclosure Policy no later than June 30, 2023). Pending a New SRO member’s compliance with all provision of New IPF’s Disclosure Policy, the member shall be required to continue to comply with all disclosure requirements applicable to it before the amalgamation of the IPFs and all references in the New SRO member’s disclosure, website and documentation to an IPF shall be deemed to be a reference to New IPF.

Costs of Amalgamation

One commenter noted that entities previously operating dual platforms will realize significant internal savings and should therefore bear the amalgamation costs relating to the creation of New IPF and any cost savings should be fairly distributed across the membership.

To the extent that cost savings are ultimately realized by New IPF, such savings will be taken into account by New IPF when setting assessments for all New SRO members whose clients have the benefit of coverage under the Coverage Policy. The costs associated with the formation of New IPF will be borne by New IPF (including its predecessors, the IPFs) and factored when assessment rates are set, either as a separate assessment or included in the overall assessments.

This page intentionally left blank