

**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.